



### Government issues second consultation paper on Type II interconnection

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The Government today (December 16) issued the second consultation paper on the Type II interconnection policy for local fixed telecommunications network services (FTNS) and proposed to change the Type II interconnection arrangement in the light of current market conditions.

Type II interconnection refers to interconnection between two fixed telecommunications networks at customer access network level. It was introduced in 1995 when the fixed telecommunications market was liberalised to enable operators who were mostly new market entrants without customer access networks to provide services to customers through the networks of other operators. The aim then was to promote competition in the telecommunications market and enable consumers to have a wider choice of operators.

At present, the networks of fixed operators who are competitors of PCCW have or will soon have a coverage of 45% of the residential units in Hong Kong. In addition, competing operators now have a market share of 24.8% in the voice market, among which 10.7% are served via Type II interconnection at telephone exchange and 14.1% are served by self-built customer access network.

"Noting the significant progress of competing operators in rolling out their networks and the current state of competition in the market, we see a need to introduce changes to the existing Type II interconnection arrangement in order to better meet Government's policy objectives in telecommunications," said the Deputy Secretary for Commerce, Industry and Technology (Communications and Technology), Mrs Marion Lai.

The objectives of the Type II interconnection policy are to facilitate effective competition in the telecommunications market and enhance consumer choice; to encourage efficient investment in telecommunications networks; and to promote the telecommunications industry in Hong Kong.

"In particular, we aim at having a competitive, advanced and high bandwidth telecommunications infrastructure that is capable of supporting demanding, new and innovative services to meet future needs and challenges, thereby furthering our goal of developing Hong Kong into a leading digital city," Mrs Lai said.

The Government proposes that the Type II interconnection to copper-based customer access networks at telephone exchanges should be withdrawn in buildings connected by at least two self-built consumer access networks offering both narrowband and broadband services to the occupants of the building.

"The obligation should be maintained in areas that justify the continuation of the regulatory measure of Type II interconnection obligation. In other areas, the obligation should be withdrawn," Mrs Lai said.

"This proposal can best meet Government's policy objectives, because consumers will continue to enjoy a choice of service providers either through self-built customer access networks, or through Type II interconnection.

"Furthermore, operators will be encouraged to roll out their self-built customer access networks to buildings whether Type II interconnection obligation has been withdrawn or not. This is a pro-consumer and pro-investment proposal," Mrs Lai continued.

Mrs Lai pointed out that included in the second consultation paper was a proposed set of orderly and co-ordinated transitional arrangements for implementing the withdrawal of Type II interconnection obligations. The aim was to reduce disruption to consumers who would be allowed to continue their existing subscriptions for a sufficiently long period, or until they voluntarily terminate the service. The transitional arrangements would also allow operators sufficient time to adjust their business strategies and roll out new customer access networks if required.

Regarding fibre-based customer access networks, the second consultation paper proposes that Type II interconnection should not be extended to these networks so as to encourage investment in the roll-out of competitive fibre-based telecommunications infrastructure to provide innovative, high capacity, and high speed telecommunications services.

The second consultation paper also suggests that in view of the physical and economic constraints faced by operators when installing in-building telecommunications systems, Type II interconnection at individual building level should be maintained.

The second consultation paper is issued after having analysed the submissions to the first consultation paper issued in May 2003. A total of 11 submissions were received after the three-month consultation.

The second consultation paper and an executive summary can be downloaded from the websites of the Communications and Technology Branch, Commerce, Industry and Technology Bureau (<http://www.info.gov.hk/citb/ctb>) and Office of the Telecommunications Authority (OFTA) (<http://www.ofta.gov.hk>). Submissions should be sent to the OFTA on or before February 24, 2004.

Ends/Tuesday, December 16, 2003

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