



**Submission of CSL Limited in Response to the Consultation Paper on
“Licence Fee Reductions for Unified Carrier Licences (UCL),
Public Radiocommunications Service Licences and Services-Based
Operator Licences Issued under the Telecommunications Ordinance”**

CSL Limited (**CSL**) appreciates the opportunity to provide our comments in respect of the Consultation Paper on Licence Fee Reductions for Unified Carrier Licences (UCL), Public Radiocommunications Service Licences and Services-Based Operator Licences Issued under the Telecommunications Ordinance (**Consultation Paper**) prepared by the Commerce and Economic Development Bureau and the Office of the Communications Authority. CSL welcomes the Government’s proposals to reduce the annual licence fees for licensees. Our comments are set out below:

- CSL supports the reduction of the annual licence fee from \$800 to \$700 for each 100 customer connections as set out in paragraphs 7 and 8 of the Consultation Paper, but submits that there is room for further reduction of licence fee which will be elaborated below;
- CSL submits that the date of licence fee reduction should be implemented as soon as possible; and
- CSL notes that OFTA has a very strong financial position as reflected by the persistently significant amounts of profit made, dividend paid and return on fixed assets¹ achieved for the past few years. According to OFTA’s Trading Fund Reports, the profit after tax, dividend paid and return on fixed assets were in the following magnitude:

<u>Year</u>	<u>Profit after Tax (‘000)</u>	<u>Dividend Paid (‘000)</u>	<u>Return on Fixed Assets</u>
2010/11	\$90,193	\$98,537	44.7%
2009/10	\$84,301	\$90,453	32.2%
2008/09	\$65,280	\$17,064	15.9%
2007/08	\$90,374	\$17,496	25.4%
2006/07	\$80,060	\$58,339	24.3%

¹ According to OFTA’s Trading Fund Reports for the period from 2006/07 to 2010/11, the OFTA Trading Fund is expected to meet a target rate of return on fixed assets of 8.5% per year as determined by the Financial Secretary.

The purpose of setting up of the OFTA Trading Fund is not to make profit or pay dividend. The above figures clearly demonstrate that OFTA's income was in excess of the reasonable requirements to cover OFTA's expense and the return on fixed assets was significantly higher than the target rate of return of 8.5% per annum. As such, there is room for refund or further reduction of licence fee which accounts for more than 90% of OFTA's income². CSL submits that the Government should set up a mechanism to review the licence fee structure and the level of licence fee on an annual basis.

Submitted by CSL Limited
30 July 2012

² According to OFTA's Trading Fund Report for 2011/12.