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By Fax 2803 5111 and By Post

Our Ref.: RL/OFCA1917

30 July 2012

Office of the Communications Authority
29/F Wu Chung House
213 Queen's Road East
Wanchai
Hong Kong

Cover + 2 pages

Attn: Accounting Officer I(I), Ms. Betty Tse

Dear Betty,

**Submission of Comments to the Consultation Paper on Licence Fee Reductions for
UCL, PRS and SBO Licences**

We refer to the captioned Consultation Paper dated 29 June 2012.

NWT is pleased to provide its comment as per attached.

Thank you for your attention.

Yours sincerely,

Richard Leung
Senior Manager
Carrier Service & Regulatory

Attch.



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NEW WORLD TELECOMMUNICATIONS LIMITED

Comments to the Consultation Paper on
Licence Fee Reductions for UCL, PRS and SBO Licences

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1. NWT welcomes OFCA's initiative for licence fee reduction. To make it a meaningful exercise and to reflect the actual needs, NWT would like to put forward its comments in the followings paragraphs.
2. One of the objectives of the OFTA/OFCA Trading Fund is achieving a reasonable return as determined by the Financial Secretary on the fixed assets employed. This has been set at 8.5% per annum for 2006-07 to 2010-11.
3. The Trading Fund Reports in the previous years (2006-07 to 2010-11) indicate out-performance of excess profits (ranging from 15.9% to 44.7% return on fixed assets), up to 5 times against the 8.5% target.
4. Taking 2010-11 as an example, the licence fee revenue from fixed and mobile operators contributed ~75% of the total revenue.
5. In view of the above, it is obvious that OFTA/OFCA has achieved excess profits through over-charging of licence fee.
6. With reference to the vision and mission of OFCA, and the objectives of the Trading Fund, neither OFCA nor the Trading Fund needs to pursue for excess profits. Such "excess profits" should be avoided as it does no help to the society but to drive up the costs.
7. By means of licence fee reduction, benefits could be passed on to end users and the society through operators.
8. NWT comments that the proposed reduction level should be to meet the target return on fixed assets of 8.5% only. Any excess would defeat the vision and mission of OFCA, and does not align with the objective of the Trading Fund. Hence, the proposed reduction of customer connection licence fee from \$8 to \$7 is simply inadequate and could not serve the purpose.

We would request OFCA to seriously review the issues and to propose revised licence fee level which generates no excess profits.

New World Telecommunications Limited
30 July 2012