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February 19, 2008

Communications and Technology Branch
Commerce and Economic Development Bureau
2/F, Murray Building
Garden Road
Hong Kong
Attention: Assistant Secretary (B) 1

**Re: AT&T Comments on the Commerce and Economic Development Bureau Public
Consultation Paper, "Creation of A Unified Carrier License under the
Telecommunications Ordinance"**

Dear Sir,

On behalf of AT&T Global Network Services Hong Kong Limited and its parent corporation AT&T Inc. (collectively, "AT&T"), I am pleased to submit AT&T comments on the Commerce and Economic Development Bureau ("CEDB") Consultation Paper, "*Creation of A Unified Carrier License under the Telecommunications Ordinance*" dated December 21, 2007 (the "*Consultation*").

The *Consultation* is the third consultation on the subject of fixed-mobile convergence ("FMC") by the Hong Kong Special Administration Region Government ("HKG"). In the first consultation, the Telecommunications Authority ("TA") identified 4 areas for review, namely (i) interconnection charging mechanism; (ii) local access charge; (iii) number portability; and (iv) numbering plan, each to be the subject of separate public consultations to be based on economic impact studies on the costs and benefits of any change to the existing regulatory regimes. In the second consultation, the TA examined the issues of interconnection settlement arrangement between fixed and mobile networks and local access charge arrangements under a FMC environment. In the present *Consultation*, the CEDB seeks comments from the industry and public on the proposed licensing framework for the Unified Carrier License ("UCL") in respect of (i) the General Conditions; (ii) the period of validity of the UCL; and (iii) the license fee for UCL¹.

AT&T commends the HKG for maintaining the momentum in addressing important issues arising from a FMC environment. In the current round of consultation, the CEDB together with the TA laid out the proposals for a licensing regime which will allow for the provision of FMC services under the umbrella of a single license. This initiative could set new standards for the telecommunications industry by reducing regulatory impediments to

¹ The TA issued a concurrent public consultation paper, "*Licensing Framework for Unified Carrier License*" dated December 21, 2007 on other aspects of the UCL regulatory framework, specifically that of: (i) the Special Conditions; (ii) general approach for granting a UCL; and (iii) arrangements for migrating existing carrier licenses to UCL.



convergence, such as the lack of regulatory harmonization to provide a similar service from a fixed network or a mobile network. This, in turn, will help preserve Hong Kong as a leading telecommunications hub for investment and innovation in the region.

One of the issues examined by the CEDB in the *Consultation* is the license fee for UCL. In this regard, the CEDB considers that the existing license fee structure of the Fixed Carrier License and Mobile Carrier License remains appropriate and should reflect the nature of costs that the TA incurs in administering and regulating the licenses. On this premise, the CEDB proposes for a similar structure of fee components in the existing carrier licenses to be adopted for UCL.

AT&T applauds the CEDB for upholding the principle of basing the license fee on the cost of administering the licensing regimes, be it carrier license or UCL. Further, Hong Kong has a demonstrated track record of continued evaluation of the costs incurred in license administration and its readiness to pass on any reduced costs to the industry and consumers in the form of reduced license fees. For instance, the annual license fee for Fixed Carrier Licensees engaging in the provision of external services only were successively reduced by as much as 80% from HK\$1,000,000 to the current level of HK\$200,000 over a period of 3 years. On top of this, the CEDB is now proposing for the annual license fee for unified carriers with external service operations only to be further reduced to HK\$100,000. This is in stark contrast with practices of some of the regional jurisdictions of treating license fees as a revenue source above and beyond the recovery of relevant costs.

AT&T urges the CEDB to safeguard its proven track record for fostering a pro-competitive industry which has made Hong Kong an example for others to follow. Further, these procedural and substantive measures help preserve Hong Kong as an important regional communications hub, and in turn, support Hong Kong's objective to be a leading digital city in the world.

Although AT&T is generally supportive of the UCL proposals, we caution against the occurrence in Hong Kong of any unintended increase in compliance obligations. AT&T has experienced in other jurisdictions that when multiple licenses have been collapsed into a unified license, that sometimes all of the compliance requirements from the several licenses are conjoined in the unified license. For example, when several European countries consolidated their Public Network, Public Voice and Value Added Service licenses into a unified "Electronic Communications Service" license earlier this decade, many Value Added Service providers who had been lightly regulated ended up subject to many compliance requirements appropriate only for the legacy Public Network and Public Voice providers. This increased complexity to their business, rather than streamlining the business. This unintentional and unnecessary increase in compliance obligations should be carefully avoided as a consequence of the UCL framework. In the Hong Kong context, AT&T submits that the TA should be mindful that the regulatory burden of unified carriers is reflective of the services that they are engaging in so that there will not be any increased regulatory burden without an expanded scope of services.



AT&T would be pleased to respond to any questions concerning these comments and to provide any further information that would be helpful to the HKG with respect to its current FMC proposals. Please do not hesitate to contact me in that regard.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Vincent Ma".

[Vincent Ma]
for AT&T Global Network Services Hong Kong Ltd