

Comments of Hong Kong Cable Television Limited on the Bureau's Consultation Paper on Unified Carrier Licence

I. Introduction

- 1.1 Hong Kong Cable Television Limited ("HKCTV") welcomes the opportunity to express its comments on the "*Consultation Paper on the Creation of A Unified Carrier Licence under the Telecommunications Ordinance*" ("Bureau Paper") issued by the Government's Commerce and Economic Development Bureau and the consultation paper "*Licensing Framework for Unified Carrier Licence*" ("OFTA Paper") issued by the Telecommunications Authority ("TA") both on 21 December 2007. While HKCTV supports the general direction on the creation of a unified carrier licence which is conducive to a convergent environment, HKCTV has concern over a number of issues such as the proposed increase in customer connection fee from \$7 per connection to \$8 per connection. HKCTV would submit a separate paper to the TA on the OFTA Paper.

II. Proposed increase in customer connection fee from \$7 per connection to \$8 per connection

- 2.1 We are puzzled by the proposed increase in the so-called subscriber-based fee component (that is, customer connection fee) from \$7 per connection to \$8 per connection. The Commerce and Economic Development Bureau did not provide a convincing case for allowing an increase of \$1 in the customer connection fee which represents a rise of 14% in such fee. In the Bureau Paper, the Commerce and Economic Development Bureau purported to justify the proposed increase in the customer connection fee from \$7 per connection to \$8 per connection on the following ground (see paragraph 33 of the Bureau Paper):

"The subscriber-based fee presently accounts for a significant portion of total licence fees currently received from the major fixed and mobile network operators. In setting the level of fee, the relevant consideration is to recover the administrative costs of the [Telecommunications] Authority in administering and regulating the [Unified Carrier Licence]. In this connection, the [Telecommunications] Authority has reviewed the costs for on administering the [Fixed Carrier Licence, Fixed Carrier (Restricted) Licence and Mobile Carrier Licence]. It is considered that the customer connection fee for fixed services should be slightly increased while the fee for mobile services may be reduced. The [Telecommunications] Authority has proposed in the first FMC consultation paper that the customer connection fee can be set at a unified level of \$8 per connection. There is no major disagreement by the respondents on the retaining of a subscriber-based fee component in the licence fee structure. The [Telecommunications] Authority has reviewed the proposed level in 2007 and recommended that a unified level of \$8 per connection is still appropriate from cost recovery angle and with reference to the subscriber-based fee components of the existing fixed and mobile carrier licences.

The Secretary [for Commerce and Economic Development] agrees to the [Telecommunications] Authority's recommendation and therefore proposes that the customer connection fee for UCL be set at \$8 per connection."

- 2.2 In the Bureau Paper, the Commerce and Economic Development Bureau did not provide any OFTA costing figures to explain why the rise of \$1 in customer connection fee was "*still appropriate from cost recovery angle*". In the OFTA Trading Fund Report for the year ended 31 March 2007, the operating costs of OFTA actually decreased from \$235.7 million in the year ended 31 March 2006 to \$228.3 million in the year ended 31 March 2007 and staff costs dropped from \$185.6 million to \$182.4 million in the respective period. On the other hand, the pre-tax profit of OFTA Trading Fund rose 24.6% to \$92.6 million for the year ended 31 March 2007. Bearing in mind the difficult operating environment and the cutthroat competition in the fixed network sector, it is difficult to understand why the Government still needs to raise the customer connection fee when there was substantial profit in OFTA Trading Fund last year. The proposed increase in the customer connection fee may in turn create inflationary pressure on the economy. For this reason, the Government should re-consider its proposed increase in customer connection fee.

Hong Kong Cable Television Limited
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