



NEW WORLD TELECOMMUNICATIONS LIMITED

**SUBMISSION TO CONSULTATION PAPER
BY THE SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT**

**Creation of A Unified Carrier Licence under the
Telecommunications Ordinance**

4 March 2008

Executive Summary

1. NWT does not agree that the proposed UCL provides a flexible regime and a level playing field to fixed and mobile operators.
2. NWT remains in doubt whether there is a need to go for a fundamental change of the existing licensing regime in the absence of failure.
3. NWT considers that there is a room for reduction of fee level for the proposed UCL given the solid growth of the OFTA Trading Fund.
4. NWT strongly disagrees with the proposed increase of customer connection fee and considers that this will increase fixed operators' financial burden and distort market competition.
5. NWT disagrees with the proposal to impose a number fee.

1. Introduction

- 1.1 New World Telecommunications Limited (“NWT”) welcomes the opportunity to respond to the consultation paper by the Secretary for Commerce and Economic Development (“SCED”) concerning the proposals for the creation of a UCL under the Telecommunications Ordinance.
- 1.2 NWT has a number of specific comments to make with regard to the consultation paper, which for the purposes of clarity are addressed under the headings below. In this submission, unless otherwise provided, words or expressions shall have the same meanings assigned to them in the consultation paper.

2. Creation of a Unified Licensing Framework

SCED proposes to create a UCL to be the common licensing vehicle for all types of fixed, mobile and converged telecommunications services. It shall be wide and general enough to encompass all carrier services, including those covered under the existing FCL, FCRL, MCL and MCRL but except for SSCL.

- 2.1 NWT does not agree that the proposed UCL provides a flexible regime and a level playing field to fixed and mobile operators. The proposed UCL merely provides a form of single licensing framework to fixed and mobile operators. Under the UCL, fixed and mobile operators are subject to different licence conditions depending on the services they provide. An obvious example is that fixed operators are under a mandatory licence obligation to provide directory information services, while mobile operators are not.
- 2.2 According to SCED, services authorized under a UCL may initially be fixed services only, external fixed services only, mobile services only, mobile services other than land mobile services only, or a combination of them. If the holder of a UCL subsequently wishes to operate other types of services outside the initial scope of the service authorized, the holder is still required to apply to the TA for expansion of its scope of service. There seems to have no significant difference between a unified licensing regime and a separated licensing regime currently in practice.
- 2.3 The existing licensing regime for fixed carrier and mobile carrier licences has proved to be a successful regime. In the absence of failure, NWT remains in doubt whether there is a need to go for a fundamental change.

3. Migration to the UCL

No comment.

4. Period of Validity of the UCL

No comment.

5. General Conditions (GCs) of the UCL

No comment.

6. Fee Schedule of the UCL

6.1 The Licence Fees for the existing fixed and mobile carrier licence is tabulated in Table A below.

Table A

Licence	Fixed fee component	Subscriber-based fee components	Non-subscriber-based fee components
FCL	Annual fee (\$1,000,000; or \$200,000 for external service only)	Customer connection fee (\$7 per connection)	Spectrum management fee (*)
FCRL	Annual fee (\$100,000)	Customer connection fee (\$7 per connection)	Spectrum management fee (*)
MCL	Nil	Mobile station fee (\$18 per station)	Spectrum management fee (*)
MCRL	Annual fee (\$50,000)	Nil	Land station fee (*)

(*) calculated according to pre-defined formulae as set out in Schedule 1 to the Regulation.

6.2 The proposed Licence Fees for the UCL by SCED is tabulated in Table B below.

Table B

Licence	Fixed fee component	Subscriber-based fee components	Non-subscriber-based fee components
UCL	Annual fee (\$1,000,000; or \$100,000 for external fixed service only and/or for radiocommunications services where moving stations are primarily for use in locations other than on land only)	Customer connection fee (\$8 per connection)	Number fee (\$3 per subscriber number) Spectrum management fee (*) Base station/land station fee (*)

(*) calculated according to formulae as set out in Appendix B to the consultation paper.

6.3 NWT recognises that the proposed Licence Fees for the UCL should be adherence to the principle of costs-recovery by the TA for administering and regulating the relevant licence. However, given the solid growth of OFTA Trading Fund, there seems to have room for reduction of fee level for the proposed UCL. Summary of the financial performance of OFTA Trading Fund is at Table C below. It is also pertinent to note that it was recognised by OFTA in its Trading Fund Report 2003/04 that the OFTA Trading Fund remained resilient in a year affected by SARS. This suggests that the effect of economy environment to the performance of the OFTA Trading Fund should be minimal. NWT remains in doubt on whether or not the proposed fee level is objectively justifiable in the circumstances.

Table C

Financial Year	Rate of return on fixed assets as determined by Financial Secretary (Target)	Rate of return on fixed assets (Actual)	Performance (Exceed Target)
2006/07	8.5%	24.3%	15.8%
2005/06	14.5%	30.8%(*)	16.3%
2004/05	14.5%	29.7%	15.2%
2003/04	14.5%	25.2%	10.7%

(*) According to OFTA Trading Fund Report 2006/07 the basis of calculation of the rate and the target rate were revised with effect from 1 April 2006 from 14.5% to 8.5%. The rate of return on fixed assets for 2005/06 has been restated from 30.7% (as previously reported) to 19.8% in order to conform with the 2006/07 's basis of calculation.

- 6.4 Turning to the specific fee components, NWT strongly disagrees with the proposed increase of customer connection fee from \$7 to \$8 per connection while the fee for mobile services can be reduced. This makes the financial burden of fixed operators increasingly heavier and further distorts market competition which in turn contrary to SCED's aim of creating a level playing field.
- 6.5 NWT also disagrees with the proposal to impose a fee of \$3 per subscriber number for numbering blocks allocated to the licensee, regardless of whether the numbers have been assigned to end customers or not. NWT does not see a direct correlation exists between the volume of allocated numbers and OFTA's administrative costs or public resources. NWT maintains its view in response to the TA's consultation on FMC on 21 November 2005.
- 6.6 NWT notes that the licensees may return unallocated numbers to the TA. We would appreciate clarification from SCED or the TA the implementation details.

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