

**The Views and Comments of China Mobile Hong Kong Company Limited
("CMHK")**

to

**Consultation Paper on Licence Fees Reduction
for Five Types of Licences
and Introduction of a New Fee Component
under Unified Carrier Licences**

Issued on 8 June 2018

CMHK welcomes the initiative of seeking views and comments on fee reductions proposal taken by the Secretary for Commerce and Economic Development (“**SCED**”) and the Communications Authority (“**CA**”). We would like to submit our views on the Consultation Paper issued by SCED and CA on 8 June 2018 as follows:

THE PROPOSALS

CMHK is pleased that SCED and CA considered there is room to reduce the licence fees and proposed some fee reduction proposals.

CMHK is of the view that the licence fees payable by the licensees are too high and the proposals of fees introduced by the joint statement may still be more than it should be. It is therefore recommended that further suitable portions of respective licence fee shall be reduced.

A. Proposed Licence Fees Reduction

1. In respect of the unified carrier licences (“**UCL**”), CMHK suggests that more information should be disclosed by the SCED to enable the public and licensees to understand the basic principle and calculation formula made by SCED and/or CA which conclude that the customer connection fee be reduced from HK\$700 to HK\$500 per 100 customers.
2. In spite of the details about the existing licence fees payable for UCL stated in Appendix B, it seems that it was lack of rationale behind and information to support the proposal of reducing HK\$200 per 100 customers (“**Proposal**”). Without a clear explanation of such Proposal, CMHK may not be able to provide constructive feedback and make feasible suggestions.
3. CMHK agrees with the principle that CA is not a commercial enterprise and was not intended to make profit. Any basis of licence fees calculation should be “before dividend distribution” and “before notional tax”. Such view is applicable

to other arrangements or proposals made by SCED and/or CA towards the related licence fees payable by licensees as well.

4. Moreover, in the financial projections of OFCA Trading Fund for 2018-19 to 2022-23, the projections showed that staff cost amounted to over 80% of the total expenditure and the number of staff have been increasing in the past few years. CMHK suggests that fee reduction can be achieved by increasing the operational efficiency and cost effectiveness by (i) using new technology to replace number of headcounts, (ii) moving office to a lower rental area; and (iii) streamlining the work and functional tasks etc.

B. Introduction of a New Fee Component under UCL for the Provision of WIOT Services

5. In respect of HK\$200 per 100 WIOT connections, CMHK would like to have more details and justification for this proposal. For the reason that the volume of connection may be in the level of ten millions or even hundred millions, the unit price appears small but the total amount can be huge and therefore, a clearer picture need to be known in advance and details should be provided for clarification and further review.

CONCLUSION

CMHK appreciates that SCED and CA (i) ascertained there is room to reduce the licence fees, and (ii) made an effort on facilitating the development of WIOT services in Hong Kong.

We are of the opinion that before making any determination or concrete figures of (i) how much the UCL or other licence fees should be deduced, and (ii) what components of the WIOT licence fee should be included, SCED and CA may disclose more calculation methods and the rationale behind, and invite representatives of the related associations and licensees to meet up for strengthen the communications which may eliminate (or at least mitigate) the concern of public and licensees.