

**Universal Service Contribution -
Confirmed Level for 2021
and Provisional Level from 1 January 2022**

Statement of the Communications Authority

30 December 2022

INTRODUCTION

The Communications Authority (“CA”) has completed the review of universal service contribution (“USC”) for 2021. In line with the last USC review for 2020, the review for 2021 is based on a projection method taking into account the USC results for the previous period, the financial data of the universal service provider (“USP”)¹ and the operational statistics for the period concerned. This Statement sets out the assessment result for the confirmed USC for 2021 as well as the provisional USC for 2022 payable by the relevant contributing parties to the USP.

CONFIRMED USC FOR 2021

2. **The USC for 2021 is confirmed at HK\$18.4 million.** This represents a drop of HK\$3.6 million when compared to HK\$22.0 million of USC for 2020².

3. The USC for 2021 at HK\$18.4 million (or 4.0 cents per telephone number allocated per month)³ is made up of a net cost of

¹ Pursuant to the terms and conditions of the Unified Carrier Licence (no. 25), PCCW-HKT Telephone Limited and Hong Kong Telecommunications (HKT) Limited (collectively referred to as “HKT”) are jointly and severally liable for the universal service obligation (“USO”) under which HKT is the USP of basic telecommunications service in Hong Kong. The USP is entitled to recover the net cost from the contributing parties for meeting its USO.

² See paragraph 2 of the CA’s Statement “Universal Service Contribution – Confirmed Level for 2020 and Provisional Level from 1 January 2021” dated 22 December 2021.

³ The average number of total allocated telephone numbers for 2021 was 38.8 million. The USC for 2021 per telephone number allocated per month is equal to 4.0 cents (i.e. HK\$18.4 million / (38.8 million x 12 months)).

HK\$6.4 million in serving uneconomic fixed lines and HK\$12.0 million in serving uneconomic payphones.

Uneconomic Fixed Lines Aggregated on Distribution Points Basis

4. With reference to the audited regulatory accounting reports submitted by the USP, it is estimated that the cost of fixed lines for USC calculation purpose decreased by about 11% in 2021 as compared to that of 2020. Against the above, and after excluding those distribution points or buildings which are connected by at least one alternative self-built fixed customer access network, the USC for uneconomic fixed lines for 2021 is calculated at HK\$6.4 million.

Uneconomic Payphones

5. The average number of public payphones (including emergency helplines) eligible for USC reduced from about 2 400 in 2020 to about 2 000 in 2021. The audited regulatory accounting reports of the USP show that the cost of public payphones for USC calculation purpose decreased by around 10% in 2021 as compared to that of 2020. Taking into account other factors including the service level of payphones in 2021 and the exclusion of those payphones where competitive and alternative service provision in the vicinity is available, the USC for uneconomic public payphones for 2021 is calculated at HK\$12.0 million.

PROVISIONAL USC FROM 1 JANUARY 2022

6. In accordance with the established practice, the provisional level of USC is usually set at the actual level determined for the preceding year. **Based on the USC calculated for 2021, the provisional USC from 1 January 2022 is set at 4.0 cents per telephone number allocated per month.** The CA will confirm the actual level for 2022 as well as update the provisional level from 2023 in the next USC review.

SPECIAL REVENUE POOL

7. A special revenue pool (“SRP”) has been set up whereby all unclaimed USC rebate⁴ and revenue/income/fee generated (or deemed to be generated) from using the payphone kiosks of the USP for non-public payphone purpose would be used for funding USC related activities. In the current USC review, there was no unclaimed USC rebate.

8. In the last USC review for 2020, the rental fee for each payphone kiosk deployed for public Wi-Fi service for the period from 1 March 2020 to 31 March 2021 was confirmed at HK\$193 per month; and from 1 April 2021 onwards, the rental fee was provisionally set at HK\$197 per month with reference to the changes in Private Retail Rental Index published by the Rating and Valuation Department (“RVD”). In the current review, based on the confirmed indices published by RVD, the rental fee for the period from 1 April 2021 to 31 March 2022 is confirmed at HK\$196 per month; and with effect from 1 April 2022, the rental fee is provisionally updated to HK\$191 per month based on the latest provisional indices published by RVD. The CA will further update the rental fee level in the next USC review.

9. After taking into account the update in rental fee mentioned above, the SRP balance was HK\$1.2 million as of 30 June 2022. The CA decides that **this SRP balance should be used to fund part of the USC for 2021, so that the USC contributing parties are only required to pay the remaining USC in the amount of HK\$17.2 million (or 3.7 cents per telephone number allocated per month) for 2021.**

BILLING AND COLLECTION OF USC

10. The Office of the Communications Authority (“OFCA”) will advise the USP the amount of each individual USC contributing party

⁴ The CA will set a provisional USC level for collection of USC by the USP. If the actual level of USC is found to be lower than the provisional USC level previously determined, the difference will be rebated to the USC contributing parties if they have been charged by the USP. Unclaimed USC rebate refers to the rebate not claimed by the parties concerned (e.g. due to cessation of operation).

should pay for 2021 in accordance with the levels set out in paragraph 9 above. It is expected that the USP will start billing and collecting the USC directly from the USC contributing parties by 2023 in respect of the USC payable for 2021, and by 2024 for the provisional USC for 2022.

11. In the last USC review for 2020, the provisional USC from 1 January 2021 was set at 4.8 cents per telephone number allocated per month. This provisional level is 1.1 cents higher than the payable level for 2021. Noting that the USP has yet to issue the demand notes for payment of the provisional USC for 2021, it is hence unnecessary for the USP to make any refund to the USC contributing parties in this regard.

REVIEW OF THE NUMBER OF PUBLIC PAYPHONES UNDER THE USO

12. In view of the diminishing demand for public payphones in recent years, the CA announced on 29 June 2017 to embark on a review to determine the reasonable number of public payphones that should be subject to the USO⁵. Whilst public payphones with an extremely low usage rate (i.e. with an average revenue of not more than \$1 per day) were the subject of the review, OFCA engaged the relevant stakeholders, including site owners or managers for in-building type public payphones and District Councils for kiosk type public payphones, throughout the process such that any needs and considerations specific to the locations or districts were thoroughly considered for before a decision to exclude specific public payphones from the USO was made.

13. Having completed the above review, the CA decided to exclude 515 in-building type public payphones (or about 35% of the total number of in-building type public payphones) from the USO. The USP has already removed all excluded in-building type public payphones from the relevant sites. For kiosk type public payphones, the CA decided to exclude 765 kiosk type public payphones (or about 50% of the total number of kiosk type

⁵ See CA's Press Release entitled "Communications Authority to Embark on a Review of the Number of Public Payphones under the Universal Service Obligation Imposed in accordance with Telecommunications Ordinance (Cap. 106)" issued on 29 June 2017.

public payphones) from the USO. The USP has already removed all the excluded kiosk type public payphones from the relevant locations as of early October 2022⁶, except a few of them that are retained by the USP at its own cost.

14. Looking forward, the CA will continue to administer the USC arrangement by calculating the net cost of the USP in meeting the USO in a fair, reasonable and efficient manner, and promulgate the calculated USC levels on a regular basis.

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⁶ For the purpose of USC calculation for 2021, about 19% of the excluded kiosk type public payphones were removed by HKT in 2021.