

**Consultation Paper on Licence Fee Reductions
for Unified Carrier Licences (UCL),
Public Radiocommunications Service Licences
and Services-Based Operator Licences
Issued under the Telecommunications Ordinance**

29 June 2012

Introduction

Unified Carrier Licences

Under section 7(2) of the Telecommunications Ordinance (Cap.106) (“the Ordinance”), the Secretary for Commerce and Economic Development (“the Secretary”) may by regulations prescribe the general conditions and fees payable for a carrier licence other than an exclusive licence. Before making a regulation under section 7(2) of the Ordinance, the Secretary is required under section 7(3) of the Ordinance to, by notice in the gazette, invite members of the public who are interested in the matter to make representations.

2. The Telecommunications (Carrier Licences) Regulation (the “CR”)(Cap.106V) made by the Secretary under section 7(2) of the Ordinance, provides for, *inter alia*, the fees payable for unified carrier licences. The Secretary now proposes to make an amendment regulation to revise the fees payable for unified carrier licences.

Public Radiocommunications Service and Services-Based Operator Licences

3. The licence fees payable for public radiocommunications service (“PRS”) licences and services-based operator (“SBO”) licences are determined by the Communications Authority (“CA”) under section 7(6) of the Ordinance. The CA proposes to revise the fees payable by PRS and SBO licences at the same time as unified carrier licences, subject to the enactment of the proposed amendment regulation for unified carrier licences.

4. The purpose of this consultation paper is to explain the rationale behind the licence fee reductions and seek views from members of the public.

5. Nothing in this consultation paper represents or constitutes any decision made by the Secretary, the CA or the Government. The consultation contemplated by this consultation paper is without prejudice to the exercise of their powers under the Ordinance or any subsidiary legislation made thereunder.

The Proposals

Unified Carrier Licences

6. Part 6 of Schedule 3 of the CR (at the **Appendix**) sets out the licence fees payable on the issue and on the anniversary of the issue of unified carrier licences in each year while the licences remain in force. The annual fees payable include, *inter alia*, fee for customer connection, made by telecommunications line or radiocommunications means, to the network established and maintained under the licence (i.e. customer connection fee) (see item 2 of the **Appendix**). At present, the annual fee payable is \$800 for each 100 customer connections. Hence, the annual fee payable for each customer connection is equivalent to \$8.

7. According to the records of the Office of the Communications Authority, the number of customer connection for unified carrier licences has increased by 6.6% from 13.6 million in 2010-11 to 14.5 million in 2011-12. Anticipating the continued growth of customer connections and taking into account the trend of licence administration cost, the Secretary considers that there is room for a downward adjustment of customer connection fee and **proposes** to reduce the fee level from \$800 to \$700 for each 100 customer connections. This is equivalent to a reduction from \$8 to \$7 (or by 12.5%) per customer connection per year. The other items in the **Appendix** shall remain unchanged. The Secretary proposes to implement this reduction with effect from 1 March 2013, subject to the enactment of the proposed amendment regulation.

PRS and SBO Licences

8. Apart from the licence fees payable by the unified carrier licensees in accordance with the CR, the licence fees payable by holders of PRS licences (Public Radio Paging Services Licence (“Paging”)) and SBO licences (class 3) (i.e. mobile virtual network operators) include a fee component charged on the basis of “mobile stations used by customers of the services” (“mobile station fee”) which is premised on a similar basis of “customer connection fee” and is set at the same level. In tandem to the downward adjustment of the customer connection fee for unified carrier licences, the CA **proposes** to reduce the fee level from \$800 to \$700 for each 100 mobile stations or less used by customers of the service for PRS licences (Paging) and SBO licences (class 3), subject to the implementation of the proposed licence fees reduction for unified carrier licences.

Implementation

9. In accordance with section 7(3) of the Ordinance, the Secretary will consider the representations made by members of the public. After consideration of the comments received, the Secretary will proceed to amend the CR under section 7(2) of the Ordinance.

10. Subject to the implementation of the proposed licence fees reduction for unified carrier licences, the CA will proceed to reduce the mobile station fees for PRS licences (Paging) and SBO licence (Class 3) to the same level, and at the same time.

Invitation for Comments

11. The Secretary and the CA would welcome comments on the proposal set out in this consultation paper. All submissions should be made in writing and should reach the Commerce and Economic Development Bureau on or before 30 July 2012. The Secretary and the CA reserve the right to publish any views and comments and reveal the identity of each submission. Any part of the submission which is considered commercially confidential should be marked. The Secretary and the CA would take such

markings into account in making their decision as to whether to disclose such information or not. Submissions should be sent to:

By post : Office of the Communications Authority
29/F, Wu Chung House
213 Queen's Road East
Wan Chai, Hong Kong
(Attn: Accounting Officer I(I), Ms. Betty Tse)

By fax : 2803 5111

By e-mail : bettytse@ofca.gov.hk

**Commerce and Economic Development Bureau
and Communications Authority
29 June 2012**

Part 6 of Schedule 3

Telecommunications (Carrier Licences) Regulation (Cap. 106V)

Existing Licence Fees Payable for Unified Carrier Licences

1. A fee of \$1,000,000 shall be payable on the issue of a unified carrier licence and, in each subsequent year while the licence remains in force, on the anniversary of the issue of the licence. If the licence permits the provision of external services only, or of radiocommunications services (where moving stations are primarily for use in locations other than on land) only, or of these two types of services only, the fee is \$100,000.
2. A fee of \$800 shall be payable on the issue of a unified carrier licence and on each anniversary of the issue of the licence while the licence remains in force, for each 100 customer connections, made by telecommunications line or radiocommunications means, to the network established and maintained under the licence. For the purposes of this section, a customer connection shall be any network termination point provided by the licensee and as identified by the Authority for connection of customer equipment to the network, and a network termination point shall include any subscriber identification module used by a customer, and any other device or interface, used for connection to the network. If the licence permits the provision of external services only, or of radiocommunications services (where moving stations are primarily for use in locations other than on land) only, or of these two types of services only, no such fee is payable.
3. A fee of \$3 shall be payable on the issue of a unified carrier licence and on each anniversary of the issue of the licence while the licence remains in force, for each subscriber number allocated to the licensee that is not ported out from the licensee's network or assigned, as authorized by the Authority, to another licensee (who has made payment of the licence fee for such number under its licence) and for each subscriber number allocated to another licensee that is ported in to the licensee's network.

For the purposes of this section, a subscriber number is a number in the numbering plan within numbering blocks allocated by the Authority to a licensee, which number may be assigned by the licensee to its customer for use of a telecommunications service.

4. A fee for base stations, being -
- (a) base stations installed for mobile services; or
 - (b) land stations or land earth stations installed for radiocommunications services (where moving stations are primarily for use in locations other than on land),
- shall be payable on the issue of a unified carrier licence and on each anniversary of the issue of the licence while the licence remains in force, calculated as follows-
- (c) for the 1st to the 50th base station installed for the service \$1,000 per base station
 - (d) for the 51st to the 100th base station installed for the service \$500 per base station
 - (e) for the 101st base station installed for the service and any additional base stations \$100 per base station

For the purpose of determining the fees payable under this section, the number of stations shall be those authorized or in service at the time when the unified carrier licence concerned is issued or on the anniversary of the issue.

5. Subject to section 6, a fee for the management of any radio frequency assigned shall be payable on the issue of a unified carrier licence and on each anniversary of the issue of the licence while the licence remains in force, calculated as follows-
- (a) subject to paragraph (b), where the radio frequency is assigned to the licensee-
 - (i) \$50 for every 1 kHz or part thereof of frequency then assigned below 1 GHz;
 - (ii) $$(50-4F)$ for every 1 kHz or part thereof of frequency then assigned within 1 GHz to 10.999 GHz, where F is the frequency rounded down to the nearest GHz in the band then assigned;
 - (iii) $$(20-F)$ for every 1 kHz or part thereof of frequency then assigned within 11 GHz to 18.999 GHz, where F is the

frequency rounded down to the nearest GHz in the band then assigned;

(iv) \$1 for every 1 kHz or part thereof of frequency then assigned at or above 19 GHz;

(b) where any part of the radio frequency is assigned to the licensee on a shared basis, the fee calculated in accordance with the formula set out in paragraph (a) shall be proportionally reduced by a reduction factor-

(i) equal to the number of users authorized or reserved by the Authority to use that particular part of the radio frequency;

(ii) determined on the date on which the fee is payable.

6. No fee is payable under section 5 for the management of radio frequency within any of the following frequency bands -

6.765 – 6.795 MHz

13.553 – 13.567 MHz

26.957 – 27.283 MHz

40.66 – 40.7 MHz

2400 – 2500 MHz

5.725 – 5.875 GHz

24.0 – 24.25 GHz

61 – 61.5 GHz

122 – 123 GHz

244 – 246 GHz
