

**Universal Service Contribution -
Confirmed Level for 2023
and Provisional Level from 1 January 2024**

Statement of the Communications Authority

2 December 2024

INTRODUCTION

The Communications Authority (“CA”) has completed the review of universal service contribution (“USC”) for 2023. In line with the last USC review for 2022, the review for 2023 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 2023 as well as the provisional USC for 2024 payable by the relevant contributing parties to the USP.

CONFIRMED USC FOR 2023

2. **The USC for 2023 is confirmed at HK\$13.1 million.** This represents a drop of HK\$0.8 million when compared to HK\$13.9 million of USC for 2022².

3. The USC for 2023 at HK\$13.1 million (or 2.7 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 CA’s Statement “Universal Service Contribution – Confirmed Level for 2022 and Provisional Level from 1 January 2023” dated 8 December 2023.

³ The average number of total allocated telephone numbers for 2023 was 39.9 million. The USC for 2023 per telephone number allocated per month is equal to 2.7 cents (i.e. HK\$13.1 million / (39.9 million x 12 months)).

HK\$4.0 million in serving uneconomic fixed lines and HK\$9.1 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 4% in 2023 as compared to that of 2022. 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 2023 is calculated at HK\$4.0 million.

Uneconomic Payphones

5. The average number of public payphones (including emergency helplines) eligible for USC reduced from about 1 900 in 2022 to about 1 800 in 2023. The audited regulatory accounting reports of the USP show that the cost of public payphones for USC calculation purpose decreased by around 5% in 2023 as compared to that of 2022. Taking into account other factors including the service level of payphones in 2023 and the exclusion of those payphones where competitive and alternative service provision in the vicinity is available, the USC for uneconomic public payphones for 2023 is calculated at HK\$9.1 million.

PROVISIONAL USC FROM 1 JANUARY 2024

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 2023, the provisional USC from 1 January 2024 is set at 2.7 cents per telephone number allocated per month.** CA will confirm the actual level for 2024 as well as update the provisional level from 2025 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 2022, the rental fee for each payphone kiosk deployed for public Wi-Fi service for the period from 1 April 2022 to 31 March 2023 was confirmed at HK\$190 per month; and from 1 April 2023 onwards, the rental fee was provisionally set at HK\$196 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 2023 to 31 March 2024 is confirmed at HK\$195 per month; and with effect from 1 April 2024, the rental fee is provisionally updated to HK\$190 per month based on the latest provisional indices published by RVD. 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\$1.1 million as of 30 June 2024. CA decides that **this SRP balance should be used to fund part of the USC for 2023, so that the USC contributing parties are only required to pay the remaining USC in the amount of HK\$12.0 million (or 2.5 cents per telephone number allocated per month) for 2023.**

BILLING AND COLLECTION OF USC

10. The Office of the Communications Authority will advise the USP the amount of each individual USC contributing party should pay for 2023 in accordance with the levels set out in paragraph 9 above. It is expected

⁴ 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).

that the USP will start billing and collecting the USC directly from the USC contributing parties by 2025 in respect of the USC payable for 2023, and by 2026 for the provisional USC for 2024.

11. In the last USC review for 2022, the provisional USC from 1 January 2023 was set at 2.9 cents per telephone number allocated per month. This provisional level is 0.2 cents higher than the payable level for 2023. Noting that the USP has yet to issue the demand notes for payment of the provisional USC for 2023, it is hence unnecessary for the USP to make any refund to the USC contributing parties in this regard.

12. Looking forward, 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.

Communications Authority
2 December 2024