

*Speech by Mr M H Au, Director-General of Telecommunications,  
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**Hong Kong SAR's Role as Gateway to Mainland China**

Minister Lou (婁勤儉副部長), Secretary Wong, Dr Kelly, Honourable  
Guests, Ladies and Gentlemen,

Good afternoon and welcome to Hong Kong. Today I would like to share with you the latest telecommunications market and regulatory developments in Hong Kong, and our role as a major gateway for connecting Mainland China with the rest of the World.

***Infrastructure and market developments***

Hong Kong has a vibrant telecommunications market based on infrastructure and service competition.

Virtually all households have access to broadband. Over 98% of our households are within the coverage of the DSL (digital subscriber line) network of the incumbent. More than 90% of our households are covered by the cable modem service of the cable TV operator. In addition, 76% of our households are connected to the fibre-to-the building networks of at least one new entrant. 51% are connected to the fibre-to-the building networks of at least two new entrants. A variety of speeds are available - ranging from 1.5 Mbps/640 kbps asymmetric up to 100Mbps/100 Mbps symmetric. Broadband penetration has reached 67% by households.

A well established broadband infrastructure has also enabled the fast uptake of IPTV. There are now over 800,000 IPTV subscribers in Hong Kong. The IPTV penetration is 33% of all households. This, I believe, is the highest in the world. Triple-play (voice, data and TV) services from our broadband connections are also widely available.

In the mobile market, competition has driven penetration by population to exceed 131%. All four 3G licensees have launched services. 12% of all mobile subscribers are using 3G services. HSDPA (high speed downlink packet access) services have also been launched in June 2006 with speeds now up to 3.6 Mbps.

Besides, Hong Kong is equipped with one of the largest external communications capacity in the Asia Pacific Region - over 1,100 Gigabits per second - provided by extensive cable and satellite communications networks.

### ***Latest regulatory developments***

The investments in telecommunications services and infrastructure are market-driven. These rely on a favourable and stable regulatory environment of Hong Kong.

Hong Kong is a fully liberalised market with no entry barrier. There is no foreign ownership restriction. We set no limit on the number of players, unless there are physical limitations such as spectrum availability.

We maintain the transparency and predictability of the regulatory regime by setting out clearly the regulation, publishing full reasons for decisions and conducting full consultation before regulatory changes, thus minimising uncertainty to potential investors.

We have the telecommunications-specific law to safeguard fair competition and maintain level playing field for all operators.

We review our regulation from time to time so as to ensure that it keeps pace with market and technological developments. Regulatory reviews that we have completed in recent years include phased withdrawal of the unbundling of local loop regulation in view of the development of infrastructure-based competition, termination of *ex ante* regulation on the tariffs of the incumbent operator because of competition in the market at the retail level, deregulation for IP-based services. Policy and

regulatory reviews in progress include deregulation to cope with fixed-mobile convergence, radio spectrum policy review, licensing of new wireless technologies and setting up a converged regulator for the telecommunications and broadcasting industries.

### ***Connecting China with the World***

Hong Kong has been the gateway to Mainland China because of its strategic geographical location and close connection with the mother country. I shall give you a few examples to illustrate the significance of Hong Kong's physical infrastructure in connecting Mainland China with the world –

- (1) Mainland-Hong Kong connections make up nearly half of the activated external capacity in Hong Kong.
- (2) Half of all the external voice traffic of Hong Kong is between Hong Kong and Mainland China.
- (3) One-fourth of all external voice traffic generated from Mainland China is calls to Hong Kong.

Apart from the physical infrastructure, Hong Kong has many other leading edges in playing the role of connecting China with the world.

First, Hong Kong has a well-developed capital market. All the four major telecommunications carriers on the Mainland have raised capital by listing in the Stock Exchange of Hong Kong.

Second, under the Closer Economic Partnership Arrangement (CEPA) between Mainland and Hong Kong, enterprises established in Hong Kong can enjoy benefits in accessing the Mainland market.

Third, the Hong Kong workforce have the financial, marketing and legal expertise, trilingual capabilities and are familiar with both the international commercial environment and the Chinese business culture.

Fourth, Hong Kong has a long experience in acting as a bridge between

business on the Mainland and those from around the world, helping the mainland companies to reach out to the world and for overseas companies to enter the mainland market.

I hope that my short presentation has given you an overview about the telecommunications development in Hong Kong and our role in connecting Mainland China with the World. Because of time, I did not go into detail in the presentation, but you are most welcomed to contact me or my colleagues in OFTA during or after the Forum if you have any questions about Hong Kong.

Thank you very much.