

**Opening Remarks by
Mrs Marion Lai, Director-General of Telecommunications,
Government of the Hong Kong Special Administrative Region, at
APT Policy and Regulatory Forum on
13 May 2009**

Mr Pescod, Mr Yamada, distinguished guests, ladies and gentlemen,

Good morning. It gives me great pleasure to welcome you all, on behalf of the Office of the Telecommunications Authority, the Hong Kong Special Administrative Region of the People's Republic of China, to join the first Asia-Pacific Telecommunity Policy and Regulatory Forum ever held in Hong Kong, China. We are extremely honoured to have the chance to host this prestigious event here.

I am delighted to see that so many (*or almost one hundred*) APT members have gathered here, despite the current global economic downturn and the threat of Influenza A H1N1, to share experience of and insights into the key telecommunications policy and regulatory issues of mutual concern to the Asia-Pacific region. Under the leadership of Mr Yamada, Secretary General of APT, the APT team has formulated an excellent agenda for this Forum which would enable timely discussion of the most pertinent subjects on the ICT infrastructure development, regulation in the convergence world, network security and spam control.

As the telecommunications regulatory authority in Hong Kong, let me give you an update on key aspects of the regulatory landscape. On telecommunications infrastructure, our light handed and market driven regulatory approach has served us well. Hong Kong is one of the few cities in the world with successful facilities-based competition. Thanks to our geographical compactness and high concentration of population in urban areas, we are served by multiple fixed and wireless city-wide broadband networks all commercially funded and operated, forming an excellent communications infrastructure for our robust economy.

Over 81% of households in this city have a choice of at least two fixed networks for wireline broadband services, telephony services and IPTV services. In this small city of 1,100 square kilometres, there are five active

wireline-based fixed network operators. On the rollout of fibre-to-the-home or fibre-to-the-building networks, Hong Kong ranks second in the world with a household penetration rate of 28%. 78% of Hong Kong's households have subscribed to broadband services. This penetration rate is among the top in Asia. Services with data transmission speeds of up to 1000 Megabits per second are available for consumers.

On mobile communications, we have five operators operating 14 networks. Mobile service population penetration rate in Hong Kong has exceeded 164 %. Moreover, among our population of 7 million, there are 3.4 million 2.5 G or 3G service subscribers, who make use of mobile devices to go on-line to enjoy high-speed data or multimedia services. The growth of mobile data usage over the past two years has been remarkable. In February this year, statistics showed that mobile data usage in that month reached 161 Terabytes, or 47 Megabytes for each 2.5G or 3G service user, on average. This is 16 times the usage of the same period in 2007. As regards data transmission speed, mobile services of up to 21 Megabits per second are available in the market.

A few years down the road, mobile service will be lifted to an even higher level with the launch of 4G services. In January this year, we assigned radio spectrum at the 2.5 GHz bands to three successful bidders to provide broadband wireless access (BWA) services. With vastly improved mobile data rates over 100 Megabits per second, the coming BWA or 4G services are set to revolutionize the mobile industry. The tech-savvy Hong Kong people will soon be able to enjoy a wide array of next generation mobile applications which deliver creative services and information with video and graphics-intensive contents like never before. Mobile social networking, multimedia content sharing, mobile ticketing service, location-based mapping guide are just some of the future possibilities.

The leaps and bounds of advancements of information and communications technologies in recent years have brought us to the era of convergence. Traditional telecommunications operators are transforming themselves into providers of integrated ICT services covering not just transmission, but also provision of content and applications. The distinctions between fixed and mobile networks and services is becoming increasingly blurred.

In Hong Kong, both the industry and the regulator are well prepared for this network revolution. A new licence, named Unified Carrier Licence, was introduced last year to replace the Fixed Carrier Licence and the Mobile Carrier Licence. Carriers can take out the new Unified Carrier Licence immediately or when their licences expire. Under the new licence, a carrier may be allowed to provide fixed services, mobile services or both fixed and mobile services, depending on the scope of services proposed by the licensees in their licence applications.

Two years ago, anticipating the convergence of the fixed and the mobile networks and services, the Telecommunications Authority of Hong Kong announced that the then regulatory guidance on the asymmetric interconnection charging arrangement of "Mobile Party's Network Pays" would be withdrawn in April this year. There was a two-year transitional period to enable concerned operators to adapt to the change. The effect of this deregulation will be that the level of interconnection charge and payment arrangements will be a matter of commercial negotiations among the operators. However, the Telecommunications Authority may issue replacement regulatory guidance if there is a change of circumstance that justifies regulatory intervention. We are pleased to see that on the eve of the deregulation, a number of major players have reached commercial agreements or understanding for the post deregulation period. This demonstrates that market solutions for interconnection charge between fixed and mobile operators are indeed achievable. For operators who have yet to arrive at agreement, we encourage them to speed up their negotiation.

While adhering steadfastly to our light-handed and market driven approach, we do believe there are areas where the regulator has to play a proactive part to ensure that the interest of consumers and the public at large is safeguarded. A case in point is the consumer issues in telecommunications service. Due to the pervasiveness of such service and the highly competitive market, it is not surprising that consumer complaints against telecommunications service account for a high percentage of such complaints across the board. To help resolve the contractual disputes between telecommunications services providers and consumers effectively, the Office of the Telecommunications Authority of Hong Kong is in the process of developing a dispute resolution scheme with industry members with a view to, in the long run, establishing a mechanism operated by the industry and independent arbitrators, without the regulator's

involvement, for industry members to join on a voluntary basis.

Under the new Unified Carrier Licence, we have set out a condition requiring licensees to comply with codes of practice that may be issued by the Telecommunications Authority in respect of contractual requirements on telecommunications services, including contract documentation, entering into or terminating service contracts, settlement of disputes, etc. Initially, we intend to issue a code of practice for the industry's voluntary compliance and to monitor market development. I am sure some of you will offer useful advice on this issue, based on your experience in your home countries, to share with us and other members.

In an Information Society, people rely critically on the creation, exchange, storage, processing and use of large quantity of information - quantity that may exceed what we want. The control of spam has become an issue for all ICT-advanced economies. It is important to protect users of ICT from spam. In Hong Kong, the Unsolicited Electronic Messages Ordinance, which regulates the sending of commercial electronic messages was fully implemented since December 2007. Under this Ordinance, three do-not-call registers (DNCs) were established, covering faxes, short messages and pre-recorded telephone messages. Members of the public can register their telephone and fax numbers onto the relevant DNC in order to unsubscribe from unsolicited electronic commercial messages. My colleague will share with you the enforcement of the Ordinance during Session 4 of our forum tomorrow. The Government of the Hong Kong Special Administrative Region is committed to taking an active part in international collaboration against spam. We will continue to do our best for all joint initiatives with our international partners.

Ladies and gentlemen, you are no doubt eager to hear what our distinguished speakers will say about regulation and policies for the new communications era. So I will end here, with a sincere wish that you will all find your stay in Hong Kong fruitful and worthwhile.

Thank you.