

**Welcoming Remarks by Mr M H Au,
Director-General of Telecommunications
in the QuEST Forum Asia Pacific Regional Conference 2003**

4 November 2003

It is my great pleasure to join you today at the QuEST Forum Asia Pacific Regional Conference 2003.

The theme of this conference is “Quality: Driving Business Excellence in Telecommunications”. This is a theme particularly befitting Hong Kong at this point in time. OFTA has recently initiated a review with the industry on the measures to safeguard and enhance quality of service in the telecommunications industry. As the financial and commercial center of this region, we need to uphold the highest quality of our telecommunications infrastructure and services.

Quality of service is of course not a new subject. For years, we have been measuring and monitoring the performance of the more traditional telecommunications services such as the public switched telephone service and leased circuit service.

However recent developments have required us to renew our focus on the quality of service in the telecommunications industry.

Firstly, with convergence and the technological advancement, old performance indicators for quality of service need to be redefined to reflect the evolving needs and expectations of the society. Traditional indicators for the public switched telephone service and leased circuit service would no longer be adequate. There is also a call for more technologically neutral and consumer-oriented approach in measuring and monitoring performance. There is a need to extend the scope of performance indicators to cover not only the technical quality of service, such as the fault rate or time to rectify fault, but also the quality of customer service, such as how consumer complaints are being handled by the operators.

Secondly, governments around the world are using competition as the vehicle to promote efficiency and consumer interests in the telecommunications sector. Different levels of competition and liberalization have been introduced in nearly all markets. In Hong Kong, consumers have benefited significantly from competition

and liberalization in the telecommunications market. The challenge now is how to maintain and upgrade quality in a competitive environment and to ensure that intense competition would not lead to compromise in quality.

The preferred approach to improve quality of service is not by the regulator imposing quality of service standards on the operators and taking regulatory actions against the operators failing to meet these standards. The best approach is to make the operators feel themselves that improving quality of service is something that they must do in order to excel in the market. The operators should recognize that quality would affect their bottomline. Increasingly telecommunications services providing connectivity only have become commoditized and this has affected the margins in a competitive market. But quality of service visible to the customers can restore some product differentiation and create the virtuous cycle of better quality leading to better margin which provides more resources for investment and innovation leading to even better quality and so on. A market environment should be created to achieve this. This is where the regulator can play a part.

In theory, competition promotes quality of service. However, this will be so only if the consumers are in a position to compare and make informed choice. Therefore OFTA as the regulator is working to create an environment whereby adequate information is provided to the consumers on quality of service, through pledging, measuring, reporting and publishing their performance in quality of service, so as to enable market forces to work to protect and enhance quality. To be effective, the information must be provided to the consumers in a timely manner, be readily accessible and in a form which can be understood by the consumers. By monitoring the trend in quality performance as the market develops, we can truly assess the benefits of competition to the consumers and users.

Some members of the industry may prefer less regulatory intervention in the quality of service. They doubt whether the regulator should mandate a minimum quality of service. OFTA as the regulator subscribes to the view that quality of service should basically be determined by the market, although there may be the need for the regulator to specify the minimum quality of service for certain basic essential services. As the telecommunications services become more sophisticated and diversified, and as the market competition intensifies, it would be not be possible or necessary for the regulators to specify the minimum quality of service standards for every service demanded by the consumers. However, for the information to be meaningful to the consumers and users, there must be a scheme defining the

performance indicators, and the measurement methodologies. Quality assurance systems such as the ISO 9000 and TL 9000 certification run by the QuEST Forum can also play a part in providing confidence to consumers and users.

The design and running of a scheme to measure and monitor quality also needs not be carried out by the regulator. It could be worked out by the industry and implemented as a form of industry or self-regulation. OFTA supports such initiatives of the industry and is prepared to play a part in setting up the schemes. However, we shall need a mature and responsible industry to run industry or self-regulation schemes. To be effective to deliver the consumer benefits that they intend to deliver, any industry or self-regulation schemes must be transparent so that the public can participate in supervising the compliance with the schemes. Service level commitments and performance pledges, backed up by compensation to consumers if the commitments or pledges are not met, can also be part of these self-regulation schemes. OFTA is discussing with the industry on a number of possible self-regulation codes, as codes on handling consumer complaints and on the sales practices prior to contract.

Ladies and Gentlemen, very few, if any, CEOs would say that they do not attach great importance to the quality of service to their customers. However, in the present environment when all companies have to be cost-conscious, upholding quality of service requires determination on the part the CEOs and close attention by the senior management of the operators. This conference is timely to reinforce the message of the importance of quality and discuss ways to improve it. You will have a busy agenda in the next two days. Participants will be able to gain a better insight on the issues through the presentations and panel discussions. I hope that by the end of the conference, you can all take back something useful. But for those who come to visit Hong Kong to attend this conference, please do not forget to find some time outside this conference to sample the many facets of Hong Kong as a world city.

Thank you.

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