

*Telecoms InfoTechnology Forum*

**Regulatory Certainty  
on the Path to  
Fixed-Mobile Convergence**

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- ❑ Changes ahead – “Fixed-Mobile Convergence”
- ❑ Changes will bring uncertainties and risks
- ❑ One element of risks is “regulatory risks”
- ❑ Regulation needs to evolve with technologies and market
- ❑ Past investment decisions taken against a background of regulatory evolution
- ❑ OFTA minimizes regulatory risks by clear, predictable and transparent regulation and proper consultations prior to changes

- Building blocks of “Fixed-Mobile Convergence” regulation
  - *BWA licensing*
  - *Unified carrier licence*  
*(including conditions for access to land, spectrum and road opening rights)*
  - *Fixed/mobile interconnection charge*
  - *Fixed/mobile number portability*
- Individual blocks build up the overall picture of the future regulatory environment

- ❑ OFTA does not review the regulation for the sake of regulation
- ❑ Competition in an effective market is the best approach
- ❑ Regulation is the second best approach
- ❑ Regulation to be applied to achieve objectives (economic, social or other) that cannot be achieved by the market alone
- ❑ Regulation also for the management of limited community resources

- ❑ OFTA has gradually replaced *ex ante* regulation with *ex post* regulation
- ❑ *Ex ante* regulation is more prescriptive and sector-specific
- ❑ *Ex post* regulation is more market-driven and based on competition law
- ❑ In theory *ex ante* sector-specific regulation will be replaced by *ex post* general regulation in due course
- ❑ For the time being, there is a need to retain the minimum *ex ante* regulation

- ❑ Interconnection regulation is an example
- ❑ Past experience shows that we cannot leave everything to commercial negotiations yet
- ❑ Regulators have to lay down certain basic *ex ante* regulation of interconnection
- ❑ In Fixed-Mobile Convergence environment, we expect to lay down basic rules on obligation to interconnect, who to pay whom and principles for calculation of interconnection charges

- ❑ Obstacles to the effective working of the market may need to be tackled by regulation
- ❑ Number portability is another *ex ante* regulation to remove obstacles to effective working of the market
- ❑ To cope with the Fixed-Mobile Convergence environment, we need to study how existing Fixed Number Portability and Mobile Number Portability mechanisms should be modified

- Reviews on fixed/mobile interconnection charge and fixed/mobile number portability will start in December 2005
- How long the reviews will take depends on how contentious the issues will be
- If industry would identify a position that is practicable and viable, and in the interest of the long-term development of the industry, the timing for review would be much compressed

- ❑ Fixed numbers now begin with “2” and “3”
- ❑ Mobile numbers now begin with “6” and “9”
- ❑ A cellular/WLAN handset with prefix “6” or “9” number could work in a fixed environment indoors
- ❑ A BWA handset with prefix “2” or “3” number could be taken outdoors to be used as a mobile terminal

- ❑ In due course, some fixed numbers with prefix “2” and “3” will become mobile, and some mobile numbers with prefix “6” and “9” will become fixed
- ❑ Separate interconnection charge and number portability arrangements for fixed and mobile numbers will then not be enforceable
- ❑ Some convergent arrangement will be required in the long term
- ❑ The question is “when” and any economic benefits for earlier change?

□ Separate arrangements for fixed and mobile operators likely to be required for some regulation

□ First example is land access

- *Access to common parts of buildings – market does not work – statutory right of access*
- *Access to rooftop for base station and hub sites – market works – commercial negotiation for access*
- *Access to shielded areas for mobile service coverage – market may not work – regulatory intervention as a last resort*

□ Second example is access to limited community resources

- *Granting of spectrum right and road opening right is not automatic for all operators*
- *Such rights need to be applied or bid for*

□ Unified carrier licence required

- *Licences not as an entry barrier*
- *Licence to apply regulation where market cannot achieve desired objectives and to manage limited community resources*

- ❑ Uncertainties not caused by consultations
- ❑ Uncertainties caused by market and technological developments
- ❑ Consultations to remove uncertainties
- ❑ Some changes may affect interest of operators in the short-term
- ❑ Market prices will reflect the changes in revenue and costs of operators in the long-term

□ Operators should focus on rational, enforceable arrangements that are in the long-term interest of consumers and investors

□ When everyone

- *knows and accepts the long-term destination*
- *works towards this common destination*
- *works out a transitional plan*

regulatory risks can be minimized

Thank you  
Questions welcomed