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Implementation of Local Access Charge And Modified Delivery Fee Arrangements

Statement of the Telecommunications Authority Hong Kong

19 August 1999

Introduction

On 4 August 1999, the Office of the Telecommunications Authority ("OFTA") issued a TA Statement to invite representations ("the Consultation Paper") on a proposal for making a determination under section 36A of the Telecommunication Ordinance on:

- (a) the gateway prices which the local network operators have to pay Cable & Wireless HKT¹ ("CWHKT") for delivering the relevant traffic in the outgoing direction over Category B routes; and
- (b) the delivery fees which CWHKT has to pay the operator of the terminating network for handling the incoming traffic over Category B routes.

The proposed determination was made on the request of CWHKT to reflect new accounting rates that the company had agreed with overseas administrations and carriers recently. Interested parties were invited to submit representations by 9 August 1999.

2. A total of three (3) responses were received from CWHKT, Hutchison Telecommunications (Hong Kong) Limited ("HTL") and New T&T Hong Kong Limited ("New T&T"). Both HTL and New T&T submitted that more time was required for analysis. They also requested for clarification of the basis on which the revised gateway prices and delivery fees were calculated. Other than these, New T&T submitted that:

¹ Cable & Wireless HKT means the group of companies comprising Hong Kong Telecom International Limited, Hong Kong Telephone Company Limited and Hong Kong Telecom CAS Limited. The three companies have now been renamed as Cable & Wireless HKT International Limited, Cable & Wireless HKT Telephone Limited and Cable & Wireless HKT CAS Limited.

- (a) it was concerned that the proposed determination would have retrospective effect;
- (b) there would be reduction in delivery fees and the unexpected changes would have financial implications to the company; and
- (c) CWHKT would have advanced information or notification of changes in gateway prices and delivery fees as it was the party negotiating with distant carriers on international accounting rates. As such, the company would be in a far better position to implement any consequential changes and the Telecommunications Authority ("TA") should be mindful in ensuring that CWHKT does not abuse such advantage to the detrimental of its competitors.

CWHKT also did not agree to the proposed effective dates. It submitted that retrospective adjustments would create immense administrative problems. The company proposed that at the end of each month, OFTA issues a notification of gateway prices and delivery fees which are to be effective as provisional rates for the next month. This notification should reflect the accounting rate changes that came into effect in the month then ended. The reason for having a set of "provisional rates" is to allow reflection, in the gateway prices and delivery fees, of the actual exchange rates at which international settlements are made. In the opinion of CWHKT, the determined gateway prices and delivery fees should take into account the exchange rate variation. It proposed that the level of gateway prices and delivery fees should be calculated based on the exchange rates quoted in the "Financial Times" on the 15th of the month in which the traffic is generated. A further notification will be issued at the end of each month stating the final gateway prices and delivery fees for the month then ended, reflecting the actual international settlement exchange rates.

OFTA's Comments

3. The Consultation Paper has drawn the interested parties' attention to the fact that according to the determination made by the TA on 30 December 1998 ("1998 Determination"), the TA may from time to time revise the two schedules on the gateway prices and delivery fees attached to the 1998 Determination, taking into account, among other things, changes in the international accounting

rates and exchange rates. While there are two submissions that stated more time was required for analysis, since it is within the expectation of the parties that revisions will be made consequential upon changes in international accounting rates, the TA considers that the time for consultation is reasonable and sufficient in the circumstances. The matter is straightforward and the proposed revisions are based on the framework stipulated in the 1998 Determination. The new gateway prices and delivery fees simply reflect the new accounting rates agreed between CWHKT and distant administrations or carriers, and there is no change to the basis and methodology for the calculation of the gateway prices and delivery fees.

4. On the question of the effective date, having considered the representations, the TA accepts that retrospective adjustments could create additional administrative work which might not be cost efficient in the current circumstances. Accordingly, he has decided that, for this determination, the effective date of the revised gateway prices and delivery fees should be 21 August 1999. This will minimize additional administrative work and allow sufficient time for service providers to make all the necessary adjustments in their operations. For the Iridium service, as this is a new route, the effective date should take retrospective effect from 3 June 1999, that is the date when the service was launched in Hong Kong. In making the determination, the TA has considered the proposal made by CWHKT for the introduction of a new mechanism for determining gateway prices and delivery fees. However, as the establishment of a new mechanism will affect the basis and methodology for calculating the gateway prices and delivery fees which is a departure from the 1998 Determination, the TA considers that this issue should be dealt with under a separate consultation exercise.

Determination

5. The TA, in exercise of his power under section 36A of the Telecommunication Ordinance,

having been satisfied that the parties concerned (i.e. CWHKT, local network operators and external telecommunications services providers) have been afforded reasonable opportunity in accordance with section 36A(4) of the Telecommunication Ordinance to make representations to him as to why a determination should not be made; and

having considered the views expressed by the respondents to the Consultation Paper,

hereby make the determination as annexed to this statement.

Office of the Telecommunications Authority

19 August 1999

TELECOMMUNICATION ORDINANCE (CAP. 106)

**DETERMINATION
UNDER SECTION 36A**

Background

On 30 December 1998, the Telecommunications Authority (TA) made a determination ("1998 Determination") under section 36A on:

- (a) the gateway prices which the local network operators have to pay CWHKT for delivering the relevant traffic in the outgoing direction over Category B routes; and
- (b) the delivery fees which CWHKT has to pay the operator of the terminating network for handling the incoming traffic over Category B routes.

2. The 1998 Determination was made public as Annex 1 of the TA Statement entitled "Implementation of Local Access Charge and Modified Delivery Fee Arrangements" issued on 30 December 1998, and a list of the determined gateway prices and delivery fees was attached to the 1998 Determination as Schedules 1 and 2 respectively.

3. In the 1998 Determination, it is stipulated that the TA may from time to time revise the two schedules, taking into account, among other things, changes in the international accounting rates and exchange rates. The revised Schedules will be notified to the relevant licensees and published on the Web site of the Office of the Telecommunications Authority ("OFTA").

Determination

Existing Routes

4. Following the worldwide trend of lower accounting rates, Cable & Wireless HKT International Ltd. (formerly known as Hong Kong Telecom International Ltd.) has reached agreements with a number of overseas administrations/carriers to lower the accounting rates of certain routes. A list of these routes is at Schedule 1. As both the gateway price and the delivery fee are dependent on the accounting rate, the TA considers it necessary to revise the gateway prices and the delivery fees determined on 30 December 1998 to reflect the changes. The revised gateway prices and delivery fees are given at Schedules 2 and 3 respectively. The revised rates are based on the same formulae adopted in the 1998 Determination for the calculation of gateway prices and delivery fees and the only differences are the outpayment/inpayment rates that are based on the new settlement agreements with overseas administrations/carriers.

5. The revised gateway prices and delivery fees should come into effect on 21 August 1999.

A New Route

6. Cable & Wireless HKT International Ltd. has reached an agreement with China Telecom to extend coverage of the Iridium service to Hong Kong, through the gateway in Beijing. The route is therefore classified as a Category B route. Based on the formulae for the calculation of the gateway price and delivery fee established in the 1998 Determination, the TA has determined the gateway price and delivery fee for Iridium access (Country code 8816 and 8817). The determined gateway prices and delivery fees are given at Schedules 2 and 3 respectively. The effective date is 3 June 1999.

7. This determination will be made public and will be posted on OFTA's Internet Web site.

(Anthony WONG Sik-Kei)
Telecommunications Authority

Date: 19 August 1999

Schedule 1

Countries/territories which have lowered the accounting rates with Hong Kong

Argentina	Thailand
Aruba	Virgin Is (US)
Brazil	Yugoslavia
China (Rest)	Zimbabwe
Columbia	
Costa Rica	
Cyprus	
Czech Rep	
Egypt	
Greece	
Guam	
Iceland	
Indonesia	
Israel	
Madagascar	
Malta	
Mexico	
Malaysia	
Nigeria	
Paraguay	
Peru	
Philippines	
Portugal	
Romania	
Russia – Rostelecom	
Saudi Arabia	
Senegal	
Singapore	
Sri Lanka	
St. Vincent & Grenadines	
Tanzania	

HKT FTNS Gateway Prices for Category B Routes

Routes	HKT FTNS Gateway Prices
Albania	HKD 5.15
Algeria	HKD 7.64
American Samoa	HKD 7.64
Andorra	HKD 1.31
Angola	HKD 5.15
Anguilla	HKD 10.24
Antarctica	HKD 9.20
Antigua & Barbuda	HKD 10.24
Argentina	HKD 3.13
Armenia	HKD 11.69
Aruba	HKD 7.35
Ascension	HKD 7.64
Azerbaijan	HKD 8.68
Bahamas	HKD 8.89
Bahrain	HKD 3.39
Bangladesh	HKD 7.17
Barbados	HKD 7.64
Belarus	HKD 7.64
Belize	HKD 8.63
Benin	HKD 10.76
Bermuda	HKD 3.39
Bhutan	HKD 7.64
Bolivia	HKD 9.24
Bosnia & Herzegovina	HKD 7.64
Botswana	HKD 5.15
Brazil	HKD 1.83
Brunei Darussalam	HKD 3.39
Bulgaria	HKD 7.64
Burkina Faso	HKD 10.93
Burundi	HKD 5.15
Cambodia	HKD 5.67
Cameroon	HKD 12.63
Cape Verde Is	HKD 7.64
Cayman Is	HKD 7.64
Central African Rep	HKD 10.66
Chad	HKD 11.59
Chile	HKD 6.50
China (Shenzhen & Shekou)	HKD 1.46
China (Guangdong)	HKD 2.68
China (Rest)	HKD 3.18
Colombia	HKD 7.13
Comoros Is	HKD 7.64
Congo Rep	HKD 12.63
Cook Is	HKD 9.98
Costa Rica	HKD 5.15
Cote D'Ivoire Rep	HKD 10.93
Croatia	HKD 7.64
Cuba	HKD 9.72
Cyprus	HKD 2.35
Czech Rep	HKD 2.35
Diego Garcia	HKD 12.15

Schedule 2

Routes	HKT FTNS Gateway Prices
Djibouti	HKD 12.63
Dominica	HKD 8.68
Dominican Rep	HKD 9.91
Ecuador	HKD 12.84
Egypt	HKD 6.19
El Salvador	HKD 12.84
Equatorial Guinea	HKD 7.64
Eritrea	HKD 10.92
Estonia	HKD 9.20
Ethiopia	HKD 14.33
Falkland Is	HKD 7.64
Faroes Is	HKD 5.83
Fiji	HKD 8.89
French Polynesia	HKD 8.06
Gabon	HKD 9.72
Gambia	HKD 7.64
Georgia	HKD 8.68
Ghana	HKD 7.64
Gibraltar	HKD 9.20
Greece	HKD 1.31
Greenland	HKD 5.83
Grenada	HKD 8.68
Guam	HKD 1.31
Guatemala	HKD 15.14
Guinea Bissau	HKD 15.33
Guinea Rep	HKD 8.68
Guyana	HKD 11.07
Haiti	HKD 10.18
Honduras	HKD 7.39
Hungary	HKD 1.83
Iceland	HKD 2.45
India	HKD 5.88
Indonesia	HKD 3.49
Iran	HKD 7.54
Iraq	HKD 12.63
Iridium Country Code 8816	HKD 16.05
Iridium Country Code 8817	HKD 22.48
Israel	HKD 1.41
Jamaica	HKD 9.72
Jordan	HKD 5.46
Kazakhstan	HKD 7.64
Kenya	HKD 5.46
Kiribati	HKD 12.63
Korea DPR (standard)	HKD 5.67
Korea DPR (off-Peak)	HKD 4.47
Kuwait	HKD 8.68
Kyrgyzstan	HKD 10.24
Lao	HKD 6.19
Latvia	HKD 2.45
Lebanon	HKD 16.02
Lesotho	HKD 7.64
Liberia	HKD 6.61
Libya	HKD 12.63
Lithuania	HKD 8.84

Schedule 2

Routes	HKT FTNS Gateway Prices
Macau (standard)	HKD 1.47
Macau (off-Peak)	HKD 1.46
Macedonia	HKD 2.35
Madagascar	HKD 8.68
Malawi	HKD 7.64
Malaysia	HKD 2.61
Maldives	HKD 1.83
Mali	HKD 12.63
Malta	HKD 3.44
Mariana Is	HKD 1.36
Marshall Is	HKD 12.81
Mauritania	HKD 12.63
Mauritius	HKD 5.46
Mexico	HKD 2.76
Micronesia	HKD 8.36
Moldova	HKD 10.24
Monaco	HKD 5.15
Mongolia Pr	HKD 5.36
Montserrat	HKD 10.24
Morocco	HKD 7.54
Mozambique	HKD 7.64
Myanmar	HKD 5.67
Nakhodka	HKD 3.39
Namibia	HKD 7.13
Nauru	HKD 7.64
Nepal	HKD 5.36
Netherlands Antilles	HKD 7.59
New Caledonia	HKD 11.80
Nicaragua	HKD 11.07
Niger	HKD 9.20
Nigeria	HKD 5.46
Niue Is	HKD 9.24
Norfolk Is	HKD 8.68
Oman	HKD 7.64
Pakistan	HKD 8.06
Palau	HKD 10.29
Panama	HKD 4.42
Papua New Guinea	HKD 4.42
Paraguay	HKD 5.46
Peru	HKD 2.87
Philippines	HKD 2.59
Poland	HKD 2.97
Portugal	HKD 2.35
Qatar	HKD 4.42
Romania	HKD 7.64
Russia - Astelit	HKD 12.63
Russia - BCL	HKD 9.76
Russia - Combellga	HKD 7.64
Russia - Comstar	HKD 12.63
Russia - DALTelecom	HKD 12.63
Russia - Rostelecom	HKD 5.46
Russia - Tatarstan	HKD 12.63
Russia - VostokTelecom	HKD 12.63
Rwanda Rep	HKD 12.63

Schedule 2

Routes	HKT FTNS Gateway Prices
Sakhalin	HKD 3.39
Sao Tome & Principe	HKD 12.84
Saudi Arabia	HKD 5.46
Senegal	HKD 7.64
Seychelles	HKD 3.65
Sierra Leone	HKD 9.93
Singapore	HKD 1.41
Slovak Rep	HKD 6.09
Slovenia	HKD 7.64
Solomon Is	HKD 4.42
Somali Rep	HKD 17.72
South Africa	HKD 2.35
Sri Lanka	HKD 4.68
St Helena	HKD 7.64
St Kitts & Nevis	HKD 10.24
St Lucia	HKD 9.20
St Vincent & Grenadines	HKD 7.64
Sudan	HKD 7.64
Suriname	HKD 15.14
Swaziland	HKD 7.64
Syria	HKD 9.20
Taiwan	HKD 1.57
Tajikistan	HKD 10.76
Tanzania	HKD 6.61
Thailand	HKD 2.87
Togolese Rep	HKD 10.93
Tonga	HKD 4.68
Trinidad & Tobago	HKD 11.07
Tunisia	HKD 17.72
Turkey	HKD 8.58
Turkmenistan	HKD 10.76
Turks & Caicos	HKD 8.68
Tuvalu Is	HKD 12.84
U.A.E.	HKD 2.87
Uganda	HKD 2.24
Ukraine	HKD 4.01
Uruguay	HKD 6.61
Uzbekistan	HKD 6.09
Vanuatu	HKD 5.46
Venezuela	HKD 8.74
Vietnam	HKD 5.67
Virgin Is (British)	HKD 10.24
Virgin Is (US)	HKD 0.79
Wallis and Futuna	HKD 12.84
Western Samoa	HKD 10.93
Yemen Rep	HKD 7.02
Yugoslavia	HKD 2.87
Zambia	HKD 5.57
Zimbabwe	HKD 3.39

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Delivery Fees for Category B Routes

Routes	Delivery Fees
Albania	HKD 0.20
Algeria	HKD 1.45
American Samoa	HKD 1.45
Andorra	HKD 0.20
Angola	HKD 0.20
Anguilla	HKD 2.75
Antarctica	HKD 2.23
Antigua	HKD 2.75
Argentina	HKD 1.37
Armenia	HKD 3.38
Aruba	HKD 1.21
Ascension Is	HKD 1.45
Azerbaijan	HKD 1.97
Bahamas	HKD 2.07
Bahrain	HKD 1.50
Bangladesh	HKD 3.39
Barbados	HKD 1.45
Belarus	HKD 1.45
Belize	HKD 1.85
Benin	HKD 3.01
Bermuda	HKD 1.50
Bhutan	HKD 1.45
Bolivia	HKD 2.25
Bosnia & Herzegovina	HKD 1.45
Botswana	HKD 0.20
Brazil	HKD 0.72
Brunei	HKD 1.50
Bulgaria	HKD 1.45
Burkina Faso	HKD 3.10
Burundi	HKD 0.20
Cambodia	HKD 2.63
Cameroon	HKD 3.94
Cape Verde Is	HKD 1.45
Cayman Is	HKD 1.45
Central African Rep	HKD 2.96
Chad	HKD 3.42
Chile	HKD 1.50
China (Guangdong)	HKD 0.55
China (Rest)	HKD 0.67
China (Shenzhen & Shekou)	HKD 0.54
Colombia	HKD 1.19
Comoros	HKD 1.45
Congo	HKD 3.94
Cook Is	HKD 2.62
Costa Rica	HKD 0.20
Cote D'Ivoire Rep	HKD 3.10
Croatia	HKD 1.45
Cuba	HKD 2.49
Cyprus	HKD 0.98
Czech Rep	HKD 0.98
Diego Garcia	HKD 3.61

Schedule 3

Routes	Delivery Fees
Djibouti	HKD 3.94
Dominica	HKD 1.97
Dominican Rep	HKD 2.49
Ecuador	HKD 4.05
Egypt	HKD 2.90
El Salvador	HKD 4.05
Equatorial Guinea	HKD 1.45
Eritrea	HKD 3.09
Estonia	HKD 2.23
Ethiopia	HKD 4.79
Falkland Is	HKD 1.45
Faroes Is	HKD 0.54
Fiji	HKD 4.25
French Polynesia	HKD 3.84
Gabon	HKD 2.49
Gambia	HKD 1.45
Georgia	HKD 1.97
Ghana	HKD 1.45
Gibraltar	HKD 2.23
Greece	HKD 0.46
Greenland	HKD 0.54
Grenada	HKD 1.97
Guam	HKD 0.46
Guatemala	HKD 5.10
Guinea Bissau	HKD 5.29
Guinea Rep	HKD 1.97
Guyana	HKD 3.16
Haiti	HKD 2.62
Honduras	HKD 1.23
Hungary	HKD 0.72
Iceland	HKD 0.72
India	HKD 2.75
Indonesia	HKD 1.55
Iran	HKD 3.58
Iraq	HKD 3.94
Iridium Country Code 8816	HKD 0.98
Iridium Country Code 8817	HKD 0.98
Israel	HKD 0.52
Jamaica	HKD 2.49
Jordan	HKD 2.54
Kazakhstan	HKD 1.45
Kenya	HKD 2.54
Kiribati	HKD 3.94
Korea DPR (standard)	HKD 2.63
Korea DPR (off-peak)	HKD 2.03
Kuwait	HKD 1.97
Kyrgyzstan	HKD 2.75
Lao	HKD 2.90
Latvia	HKD 0.57
Lebanon	HKD 5.64
Lesotho	HKD 1.45
Liberia	HKD 0.93
Libya	HKD 3.94
Lithuania	HKD 2.05

Schedule 3

Routes	Delivery Fees
Macau (standard)	HKD 0.53
Macau (off-Peak)	HKD 0.53
Macedonia	HKD 0.72
Madagascar	HKD 1.97
Malawi	HKD 1.45
Malaysia	HKD 1.11
Maldives	HKD 0.72
Mali	HKD 3.94
Malta	HKD 0.72
Mariana Is	HKD 0.49
Marshall Is	HKD 3.94
Mauritania	HKD 3.94
Mauritius	HKD 2.54
Mexico	HKD 1.19
Micronesia	HKD 1.71
Moldova	HKD 2.75
Monaco	HKD 0.20
Mongolia	HKD 2.49
Montserrat	HKD 2.75
Morocco	HKD 1.40
Mozambique	HKD 1.45
Myanmar	HKD 2.63
Nakhodka	HKD 1.50
Namibia	HKD 1.19
Nauru	HKD 1.45
Nepal	HKD 2.49
Netherlands Antilles	HKD 1.42
New Caledonia	HKD 3.53
Nicaragua	HKD 3.16
Niger	HKD 2.23
Nigeria	HKD 2.54
Niue Is	HKD 2.25
Norfolk Is	HKD 1.97
Oman	HKD 1.45
Pakistan	HKD 3.84
Palau	HKD 2.68
Panama	HKD 2.02
Papua New Guinea	HKD 2.02
Paraguay	HKD 2.54
Peru	HKD 1.24
Philippines	HKD 1.11
Poland	HKD 1.29
Portugal	HKD 0.98
Qatar	HKD 2.02
Romania	HKD 1.45
Russia - Astelit	HKD 3.94
Russia - BCL	HKD 2.51
Russia - Combellga	HKD 1.45
Russia - Comstar	HKD 3.94
Russia - DALTelecom	HKD 3.94
Russia - Rostelecom	HKD 2.54
Russia - Tatarstan	HKD 3.94
Russia - VostokTelecom	HKD 3.94
Rwanda	HKD 3.94

Schedule 3

Routes	Delivery Fees
Sakhalin	HKD 1.50
Sao Tome & Principe	HKD 4.05
Saudi Arabia	HKD 2.54
Senegal	HKD 1.45
Seychelles	HKD 1.63
Sierra Leone	HKD 2.59
Singapore	HKD 0.52
Slovak Rep	HKD 0.67
Slovenia	HKD 1.45
Solomon Is	HKD 2.02
Somali Rep	HKD 6.49
South Africa	HKD 0.98
Sri Lanka	HKD 2.15
St Helena	HKD 1.45
St Kitts & Nevis	HKD 2.75
St Lucia	HKD 2.23
St Vincent & Grenadines	HKD 1.45
Sudan	HKD 1.45
Suriname	HKD 5.10
Swaziland	HKD 1.45
Syria	HKD 2.23
Taiwan	HKD 0.59
Tajikistan	HKD 3.01
Tanzania	HKD 0.93
Thailand	HKD 1.24
Togolese Rep	HKD 3.10
Tonga	HKD 2.15
Trinidad & Tobago	HKD 3.16
Tunisia	HKD 6.49
Turkey	HKD 4.10
Turkmenistan	HKD 3.01
Turks & Caicos	HKD 1.97
Tuvalu	HKD 4.05
U.A.E.	HKD 1.24
Uganda	HKD 0.67
Ukraine	HKD 1.50
Uruguay	HKD 0.93
Uzbekistan	HKD 0.67
Vanuatu	HKD 2.54
Venezuela	HKD 4.18
Vietnam	HKD 2.63
Virgin Is (British)	HKD 2.75
Virgin Is (US)	HKD 0.20
Wallis and Futuna	HKD 4.05
Western Samoa	HKD 3.10
Yemen Rep	HKD 3.32
Yugoslavia	HKD 1.24
Zambia	HKD 0.41
Zimbabwe	HKD 1.50

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