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**PRICE CONTROL OVER EXTERNAL GATEWAY SERVICES
OF CABLE & WIRELESS HKT OVER TEN ROUTES
ON THE CATEGORY B OBSERVATION LIST**

**Statement of the Telecommunications Authority
8 September 1999**

On 4 August 1999, the Telecommunications Authority (TA) issued a Statement entitled “Re-classification of Category B Routes on the Observation List” in which the TA concluded that for the ten routes of India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Africa, Sri Lanka, Taiwan and Thailand, the TA would remove the control of the gateway prices in the outgoing direction as if the routes have been re-classified to Category A whilst Cable & Wireless HKT FTNS¹ (CWHKT FTNS) would be required to pay delivery fees to other local network operators determined by the TA in the incoming direction for these routes in the same way as for other Category B routes.

2. Having considered the conclusion given in the TA Statement of 4 August 1999 that genuine price competition exists in the outgoing direction over the ten routes of India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Africa, Sri Lanka, Taiwan and Thailand, the TA forms the opinion that CWHKT FTNS is not in a dominant position within the meaning of General Condition 16(2) under the Fixed Telecommunication Network Services Licence granted to CWHKT FTNS with respect to the market for the external gateway services provided under its licence in the outgoing direction over these ten routes. Pursuant to General Condition 44 of the licence granted to CWHKT FTNS, the TA has today (8 September 1999) issued the direction in the Annex relieving CWHKT FTNS of the obligations to comply with certain licence conditions applicable to a licensee in a dominant position in relation to the external gateway services in the outgoing direction provided over the ten routes in question.

¹ Cable & Wireless HKT FTNS means the group of companies holding the Fixed Telecommunication Network Services Licence issued on 29 June 1995 comprising Cable & Wireless HKT Telephone Limited, Cable & Wireless HKT International Limited and Cable & Wireless HKT CAS Limited.

3. It should be noted that the direction in the Annex applies to the *external gateway services* which are provided to local network operators on a wholesale basis in the outgoing direction. The direction does *not* affect the “dominance” status of CWHKT FTNS in the provision of *services to customers in the “international call services market”* referred to in the TA Statement of 4 August 1999. The direction in the Annex does not affect the operation of the directions issued under General Condition 44 on 30 December 1998 in relation to external gateway services over Category A routes and on 4 August 1999 in relation to the services in the “international call services market”.

Office of the Telecommunications Authority
8 September 1999

**TELECOMMUNICATION ORDINANCE
(Chapter 106)**

FIXED TELECOMMUNICATION NETWORK SERVICES LICENCE

**DIRECTION
(General Condition 44)**

To: Cable & Wireless HKT Telephone Limited, Cable & Wireless HKT International Limited and Cable & Wireless HKT CAS Limited

Date: 8 September 1999

Interpretation

1. In this direction,

“Category A routes” means the external routes which are listed in Appendix I to the Statement of the Telecommunications Authority (TA) of 24 December 1998 and any subsequent TA Statements that may be issued from time to time to revise Appendix I to the TA Statement of 24 December 1998;

“CWHKT FTNS” means the group of companies comprising Cable & Wireless HKT Telephone Limited, Cable & Wireless HKT International Limited and Cable & Wireless HKT CAS Limited;

“external” means communications with places outside the Hong Kong Special Administrative Region (HKSAR);

“external gateway services” means the external public switched telephone services and external public switched non-telephonic services provided to local network operators on a wholesale basis, but does not include the services provided to a customer connected to a local network;

“local fixed network” means a public switched network licensed under a Fixed Telecommunication Network Services Licence for communications between fixed points within the HKSAR;

“local network” means

- (a) a local fixed network; or
- (b) a mobile network for the provision of public mobile radiotelephone services or personal communications services licensed under a Public Radiocommunication Service Licence; and

“outgoing direction” means the direction from the HKSAR to places outside the HKSAR.

Background

2. The Telecommunications Authority (TA) received from Cable & Wireless HKT Limited (CWHKT) (then named Hong Kong Telecommunications Limited), a request on 15 April 1999 for reconsidering his findings and conclusions on CWHKT’s previous application dated 8 January 1999 for re-classification of eleven routes on the Category B Observation List (for the application of the local access charge and modified delivery fee arrangement) to Category A routes. These eleven routes were India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Africa, Sri Lanka, Taiwan, Thailand and Vietnam.

3. Following the receipt of the request, the TA published a consultation paper on 29 May 1999 inviting comments from the telecommunications industry and interested parties on CWHKT’s request. After analysing the responses, the TA, on 11 June 1999, invited further information on external gateway market competition in the incoming direction.

4. Having considered all representations made and having conducted the necessary analysis of all relevant information and factors, the TA issued on 4 August 1999 a TA Statement entitled “Re-classification of Category B Routes on the Observation List” in which the TA concluded that for the ten routes of India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Africa, Sri Lanka, Taiwan and Thailand, the TA would remove the control of the gateway prices in the outgoing direction as if the routes have been re-classified to Category A whilst CWHKT FTNS would be required to pay delivery fees to other local network operators determined by the TA in the incoming direction for these routes in the same

way as for other Category B routes. The route of Vietnam should stay in the Category B Observation List and would be treated as other Category B routes in the control of gateway price and payment of delivery fee determined by the TA.

5. Following the issue of the TA Statement of 4 August 1999, CWHKT applied to the TA for the relief from gateway price controls over the ten routes referred to in paragraph 4 above.

Direction

6. Having considered the conclusion given in the TA Statement of 4 August 1999 that genuine price competition exists in the outgoing direction over the ten routes of India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Africa, Sri Lanka, Taiwan and Thailand, the TA forms the opinion that CWHKT FTNS is not in a dominant position within the meaning of General Condition 16(2) with respect to the market for the external gateway services provided under its licence in the outgoing direction over these ten routes. Pursuant to General Condition 44 of the licence granted to CWHKT FTNS on 29 June 1995 and amended on 31 March 1998, the TA hereby directs CWHKT FTNS, until further notice is given in writing, that General Conditions 20(4), 21, 22 and 23, or any part thereof, shall not apply to CWHKT FTNS in relation to the external gateway services in the outgoing direction provided over the ten routes of India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Africa, Sri Lanka, Taiwan and Thailand.

7. Nothing in this Direction affects the operation of the previous directions issued by the TA under General Condition 44 on 30 December 1998 in relation to external gateway services over Category A routes and on 4 August 1999 in relation to services in the “international call services market”.

(AU Man-ho)
Telecommunications Authority
8 September 1999