

Variation of the Determination of the Terms and Conditions of Interconnection for International Call Forwarding Services

**Consultation Paper
19 March 2009**

EXECUTIVE SUMMARY

Background

International Call Forwarding Service (“ICFS”) is a valued-added service offered by ICFS Providers (which may either be a fixed network operator or an external telecommunications services operator (“ETS Operator”)) that allows mobile users to receive incoming calls while they are outside Hong Kong. It is a more affordable alternative to the mobile roaming service.

2. ICFS Providers make use of the networks of mobile network operators or mobile virtual network operators (collectively referred to as “MNOs”) to route calls to their service platforms before delivering them outside Hong Kong. MNOs as the providers of the conveyance service may recover from the ICFS Providers the costs incurred for the delivery of ICFS traffic. On 3 November 2003, based on the relevant reasonable costs of MNOs attributable to interconnection of ICFS and other essential terms for the ICFS arrangement, the Telecommunications Authority (“TA”) issued an industry-wide determination entitled “Determination under Section 36A of the Telecommunications Ordinance in respect of the Terms and Conditions of Interconnection for International Call Forwarding Services” (the “ICFS Determination”), setting out the levels of the access charge or the origination charge (“ICFS Charge”) which would be imposed by MNOs on ICFS Providers. In a gist, the ICFS Charge determined by the TA in the ICFS Determination comprises a fixed part plus an adjustable part denoted as “outpayment of fixed/mobile interconnection charges”. The latter is more popularly known as fixed-mobile interconnection charge (“FMIC”).

3. Since the issuance of the ICFS Determination in 2003, there have been significant changes in the regulatory framework and market environment including the deregulation of FMIC promulgated by the TA in the Statement “Deregulation for Fixed-Mobile Convergence” on 27 April

2007, regulatory changes in respect of PCCW-HKT Telephone Limited and Hong Kong Telecommunications (HKT) Limited, and more particularly the change of how the tariff of the company is regulated, and the emergence of different levels of FMIC in the market.

4. In view of the changes, the TA issues this consultation paper (“Consultation Paper”) to review the existing arrangement for ICFS with a view to providing a practical approach to cope with the changes, while not prejudicing the ongoing commercial negotiation between the relevant parties in respect of FMIC.

Charging Arrangement for ICFS before the Deregulation of FMIC

5. As a result of the changes in the regulatory framework and market environment since the issue of the ICFS Determination, different levels of FMIC exist in the industry. For the reasons given in paragraph 13 of the Consultation Paper, the TA is of the preliminary view that the mere existence of different levels of FMIC in the industry would not be sufficient to warrant a variation of the ICFS Determination prior to the deregulation of FMIC on 27 April 2009. The Consultation Paper focuses on the discussion of arrangement for ICFS to be applied consequential to the deregulation of FMIC on 27 April 2009.

Proposal on the ICFS Arrangement after the Deregulation of FMIC

6. Having duly considered the various options discussed in paragraph 15 of the Consultation Paper, the TA proposes to vary the ICFS Determination consequential to the deregulation of FMIC by modifying the ICFS Charge in such a way that its FMIC cost component becomes a variable subject to the new FMIC rate, if any, to be commercially agreed between interconnecting fixed and mobile network operators on or after 27 April 2009. In the case of fixed network operators (irrespective of whether they are providing ICFS themselves or just hosting some other ICFS Providers) which are in direct interconnection with MNOs, the proposed net level of the modified ICFS Charge would become 10.3 cents per minute.

7. In order to ensure the competitiveness of ETS Operators as well as to provide them with some degree of certainty and predictability, the TA proposes to cap the level of the modified ICFS Charge for ETS Operators at an appropriate level with reference to the levels stipulated in the ICFS

Determination in order to provide safeguard and clarity to the stakeholders, including potential ICFS Providers which would like to make informed decision before entering the ICFS market.

Implementation

8. The TA proposes that the proposal set out in the preceding paragraphs should take effect on 27 April 2009.

Invitation for Comments

9. The TA would welcome views and comments on the issues discussed in the Consultation Paper, and representations pursuant to section 36A(4) of the Telecommunications Ordinance as to why the proposed variation of the ICFS Determination should not be made, on or before **18 April 2009**.

Office of the Telecommunications Authority
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