

Proposal on the Implementation of Review of the Number of Public Payphones under Universal Service Obligation

Telecommunications Regulatory Affairs Advisory Committee
13 April 2017

Background

- At the last meeting on 8 December 2016, a presentation was given to Members on the need to review the number of public payphones (“PPs”) under Universal Service Obligation (“USO”) and the practices adopted overseas on PP removal (Note 1)
- Members provided comments at and after the meeting
- Having regard to Members’ comments, the overseas practices and the views of the universal service provider (“USP”), OFCA has come up with a proposal on the implementation of the review

Note 1: For details, please refer to TRAAC Paper No 8/2016, available at http://www.ofca.gov.hk/en/about_us/advisory_committees/TRAAC/papers/index.html

Payphone Review

- Preliminaries - Public Payphone Information
- Objectives and Scope of Review
- Guiding Principles for Exclusion of PPs from the USC
- Possible Outcome of Review
- Way Forward

Public Payphone Information (1)

- As of 31 Dec 2016, there were around 3,400 PPs subject to USO :
 - in-building type (“IB”): 1,500 (public facilities & Gov’t offices)
 - Kiosk type (“Kiosk”): 1,600 (public streets)
 - emergency helplines: 300 (country parks)

- **56%** of IB and Kiosk PPs had **nil or low** revenue in 2014 and 2015:
 - PP with nil revenue: 29%
 - PP with low revenue: 27%

- Low revenue means an average revenue of not more than \$1 per day during the two-year period of 2014 and 2015

Public Payphone Information (2)

■ Breakdown of IB PPs with nil or low revenue :

- IB PPs with nil revenue: 40%
- IB PPs with low revenue: 29%

■ Breakdown of Kiosk PPs with nil or low revenue :

- Kiosk PPs with nil revenue: 18%
- Kiosk PPs with low revenue: 26%

Objectives of Review

- To review the number of PPs under USO, with a view to :
 - reducing the number of PPs under the USO to a reasonable level
 - minimising the level of universal service contribution (“USC”) borne by the industry, and ultimately members of the public who are subscribers of fixed and mobile services at large

Scope of Review

- The review will cover only IB PPs and Kiosk PPs, but not emergency helplines
- Focus on exclusion of PPs from the USC to a reasonable level, but not inclusion of additional PPs
- The existing administrative measure that there will be no USC for PPs in areas where there is competitive and alternative service in the vicinity will continue to be adopted independent of the review

Guiding Principles (1)

- A set of guiding principles has been developed as the objective criteria to initiate discussions with the relevant stakeholders to facilitate determination of specific PPs that should not be eligible for USC
- Relevant stakeholders include:
 - site owners for IB PPs (e.g. Hospital Authority, Department of Health, Leisure and Cultural Services Department, etc.)
 - District Councils for Kiosk PPs

Guiding Principles (2)

■ Principle 1 - General Exclusion Principle

- IB and Kiosk PPs with nil or low revenue (average revenue of not more than \$1 per day in 2014 and 2015) are the subject of discussion with the relevant stakeholders regarding exclusion of these PPs from USC
- *Rationale: the aim is to exclude PPs which are no longer reasonably required by the public*

■ Principle 2 – Exceptions to the General Exclusion Principle

- IB PPs – where all existing IB PPs within a location (e.g. a block within a hospital) have nil or low revenue, one IB PP will still be retained;
- Kiosk PPs – where a nil or low revenue Kiosk PP is located in an area without mobile network coverage and there is no alternative Kiosk PP available within a certain walking distance, that Kiosk PP will be retained
- *Rationale: Apart from the usage level of PPs, there is a need to consider the societal aspect of PP service before deciding whether a PP should be excluded from the USC*

Guiding Principles (3)

- Principle 3 - Engagement with Relevant Stakeholders
 - The final decision to exclude specific PPs from the USC will be made after taking into account the views of the relevant stakeholders
 - *Rationale: the stakeholders are the appropriate parties to bring to OFCA's attention any societal or local considerations specific to the districts or locations in questions, before a decision of exclusion is made*

Guiding Principles (4)

- Principle 4 - Grace Period for Exclusion of PPs from the USC
 - Where a PP is decided to be excluded from the USC and that PP is not retained by the USP or the site owner concerned, the exclusion from the USC for that particular PP will take effect at the expiry of a grace period to allow the USP to arrange for removal of the PP
 - Grace periods applicable to IB PPs and Kiosk PPs will be one month and 12 months respectively. The grace period may only be extended upon the request of the USP with explanation and documentary proof to the satisfaction of the OFCA

Guiding Principles (5)

- Principle 5 - Exclusion from USC of PPs not Removed
 - For a PP decided to be excluded from the USC and not retained by the USP or the site owner concerned, but the USP cannot remove the PP for certain reasons (e.g. the site owner refuses to allow the USP to carry out the removal works of IB PP), that PP will be excluded from the USC despite the fact that it is not physically removed
 - The USP may stop service provision to that PP

- Principle 6 - Retention of Excluded PPs at the Costs of Relevant Stakeholders
 - For a PP decided to be excluded from the USC, the USP or site owner concerned may retain the PP but such retention should be at its own costs. The exclusion of the PP from the USC will take immediate effect

Guiding Principles (6)

- Principle 7 - Reimbursement of Removal and Reinstatement Costs to the USP
 - For a PP decided to be excluded from the USC and not retained by the USP or the site owner concerned, the costs of removing the PP and reinstating the site following removal will be reimbursed to the USP under the USC
 - For a PP retained by the USP or the site owner at its own costs, any costs of future removal of the PP and reinstatement of site will be borne by the USP or the site owner concerned as appropriate

- Principle 8 - Records to be Kept by the USP
 - The USP shall keep proper records for removal or retention of the PPs and report to OFCA on a regular basis

Guiding Principles (7)

- The guiding principles are to ensure the needs of the general public for PP services will not be adversely affected by the outcome of the review
- Only PPs demonstrably not used or needed by the general public will be excluded from the USC –
 - by reference to the nil or low revenue received
 - after consultation with the stakeholders of the locations or districts concerned
- The level of USC will be minimised to reduce the burden of the USC contributing parties, which in turn benefit the general public, who are mostly subscribers of telecommunications services in Hong Kong

Possible Outcome of Review

- By applying Principles 1 and 2:-

	Number of IB PPs	Number of Kiosk PPs	Total
Total Existing PPs eligible for USC (approximate figures)	1,500	1,600	3,100
Possible number of PPs that may be <u>excluded</u> from USC after applying Principles 1 and 2 (approximate figures)	600 (~40%)	<700 (~40%) (Note 2)	<1,300 (~40%)
Possible number of PPs <u>remain</u> eligible for USC after applying Principles 1 and 2 (approximate figures)	900	900	1,800

Note 2:

Number of possible exclusion of Kiosk PPs is subject to the availability of mobile service coverage and alternative Kiosk PPs in the vicinity

- The final number of PPs to be excluded from USC will be determined after consulting the relevant stakeholders (Principle 3)

Way Forward (1)

- While the proposed review will be subject to the consideration by the CA, views from Members are sought
- Having had the approval of the CA, OFCA will start implementing the review and approaching the relevant stakeholders
- The review will be conducted by phases – with stakeholders of IB PPs approached first, followed by District Councils for Kiosk PPs
- It is our estimation that the entire review will be completed in three years

Way Forward (2)

- The exclusion of a particular PP, or a batch of PPs, from the USC will not wait until the completion of the entire review. Rather, the exclusion will take effect following a decision made to exclude the PPs concerned

Thank you