

SmarTone-Vodafone to bring consumers substantial savings in fixed voice phone bill upon deregulation for fixed mobile convergence

(Hong Kong, 31 October 2006) SmarTone-Vodafone urges the government to deregulate for fixed mobile convergence (FMC), which will increase competition in Hong Kong's communications market. With such deregulation, SmarTone-Vodafone will introduce new "Home Connection" services for residential customers, bringing them more service innovations, a choice of tariff options and immediate savings in their fixed voice phone bills.

With new mobile and wireless technologies such as HSPA, WiMax, DVB/DVBH and MBMS becoming available, mobile operators can now provide the full range of communications services that is accelerating the FMC trend worldwide. These services include voice, Internet and IPTV.

There are currently two key regulatory barriers that are impediments to developments of FMC – operator number portability (ONP) and fixed mobile interconnection charge (FMIC).

"Deregulation for FMC, in essence, is about eliminating legacy market-distorting barriers to competition and bringing the benefits of FMC to consumers," said Mr. Douglas Li, CEO of SmarTone-Vodafone. "Effective competition in the mobile market has resulted in continuous service innovations as well as substantial reduction in mobile tariffs – something that are sorely needed in the Hong Kong fixed line market."

ONP is the number portability between network operators, whether fixed or mobile. This is a first step to commence FMC as it enables customers to switch easily amongst operators. It will also bring immediate increase in competition in the fixed market for voice service. There is no implementation issue for ONP, as it is based on existing mobile number portability and fixed number portability databases. There is no technical difficulty involved and the lead-time and cost to implement are minimal. As evidenced in the implementation of mobile number portability (MNP) since 1999, mobile prices have dropped substantially and consumers can expect similar benefits from ONP.

The current FMIC is anti-competitive, as mobile operators currently have to pay interconnection charges to fixed operators both for calls originating from mobile to fixed networks and for calls originating from fixed to mobile networks. No advanced market in the world practices this regime used in Hong Kong. In effect, it makes mobile operators' attack on the fixed line market uneconomic. As a result, competition in the fixed line market has never been effective, which is at the expense of consumers.

Current asymmetrical FMIC is obstructing increased competition arising from FMC and is at odds with the principle of competition. It is uniquely out-of-step with best practices in other advanced markets. The removal of the current FMIC will eliminate a major regulatory barrier to FMC.

“There is no justification for any transition period for FMIC. There have been examples of past major deregulatory actions with no transition period, including removal of market dominance of the major fixed operator and implementation of MNP. We strongly urge the government to immediately implement ONP and remove the current FMIC for the benefits of the Hong Kong consumers.”

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Notes to the Editor

Consumer benefit from competition

