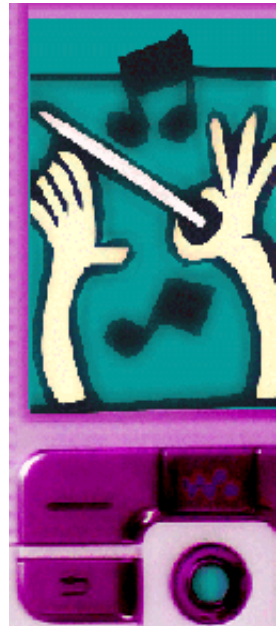


Regulatory Environment for Future Mobile Multimedia Services

-- The Case of Hong Kong SAR and China

Country Case Study Prepared for the ITU New
Initiatives Workshop on the Regulatory Environment
for Future Mobile Multimedia Services

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Mobile Multi-media Services in Hong Kong

- **Highly competitive mobile market:**
 - 11 2G licenses + 4 3G licenses + 7 MVNO Licenses
 - Market restructuring in past 12 months
- **Poor usage of SMS**
- **Three trends in the 3G era**
 - Mobile/media Convergence
 - Synergy of Corporate Resources and Strategies
 - Fixed/mobile Convergence



Mobile/media Convergence

- Mobile + TV
- Mobile + Radio
- Mobile + Newspaper
- Mobile + Internet Portal
-

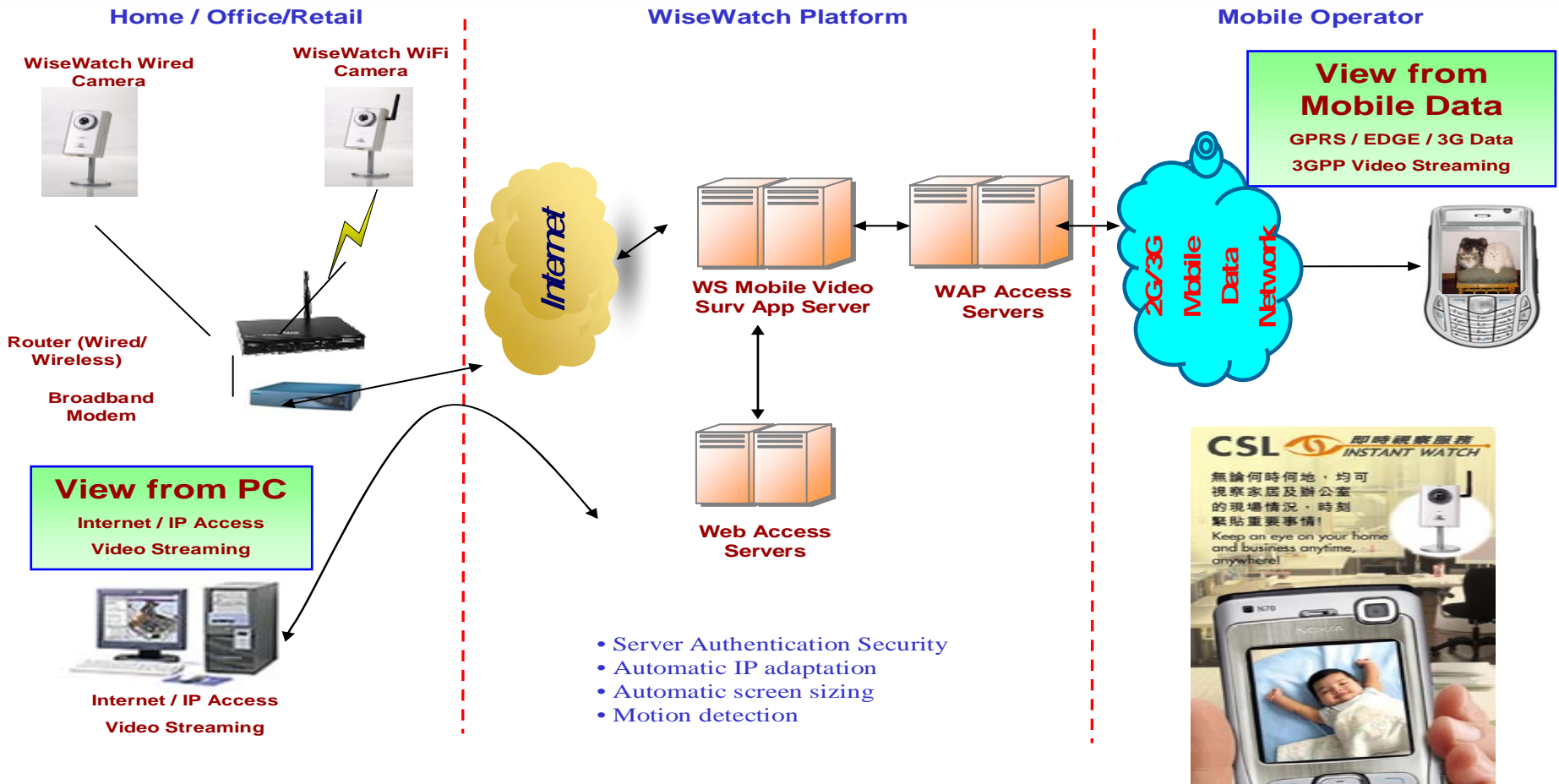


Synergy of Corporate Resources

- Shared channel by NOW and PCCW Mobile



Fixed/mobile Convergence

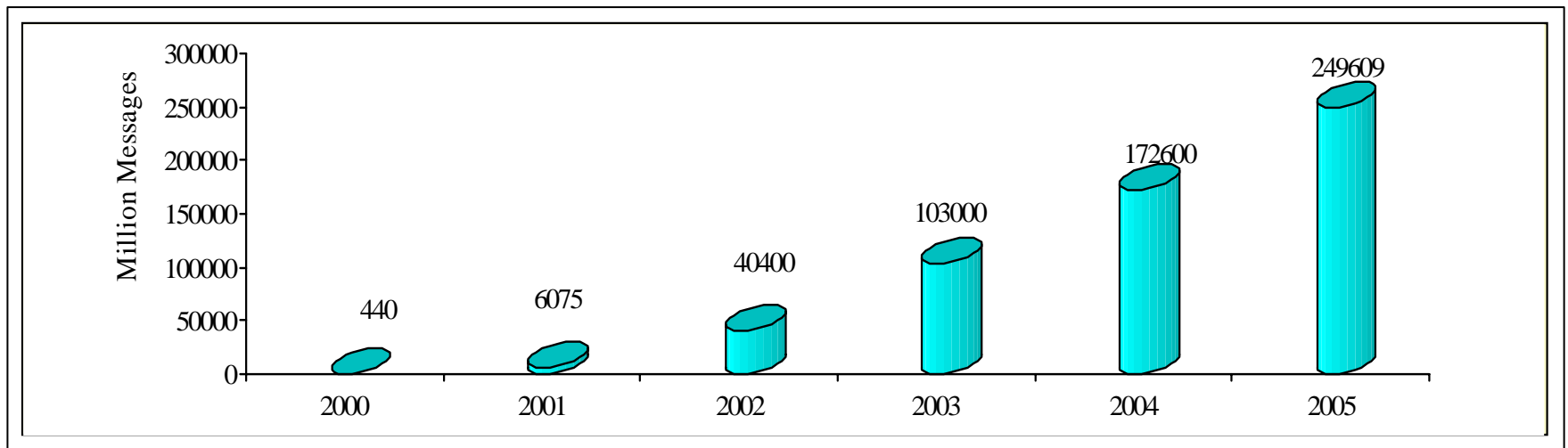


Mobile Multi-media Services in China

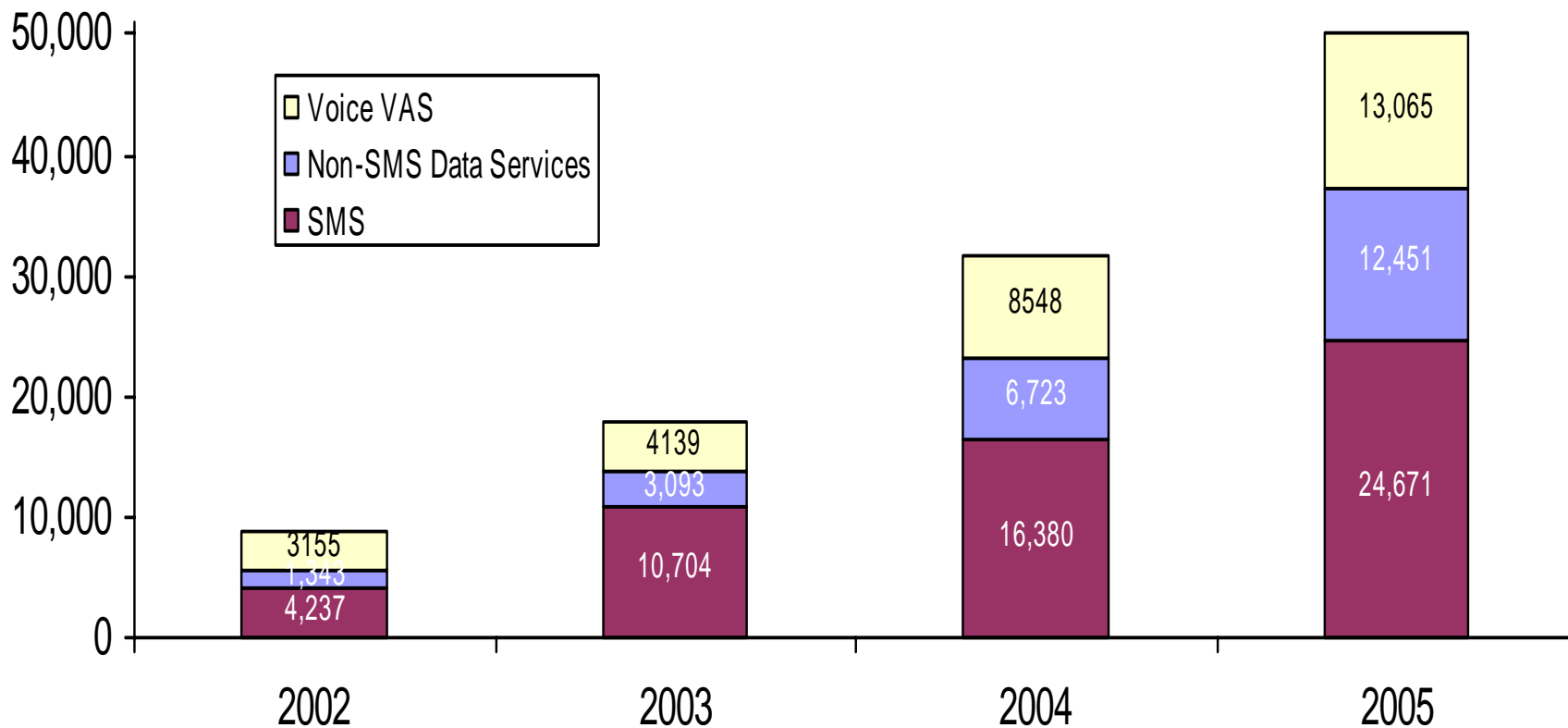
■ Duopoly Market

- China Mobile
- China Unicom

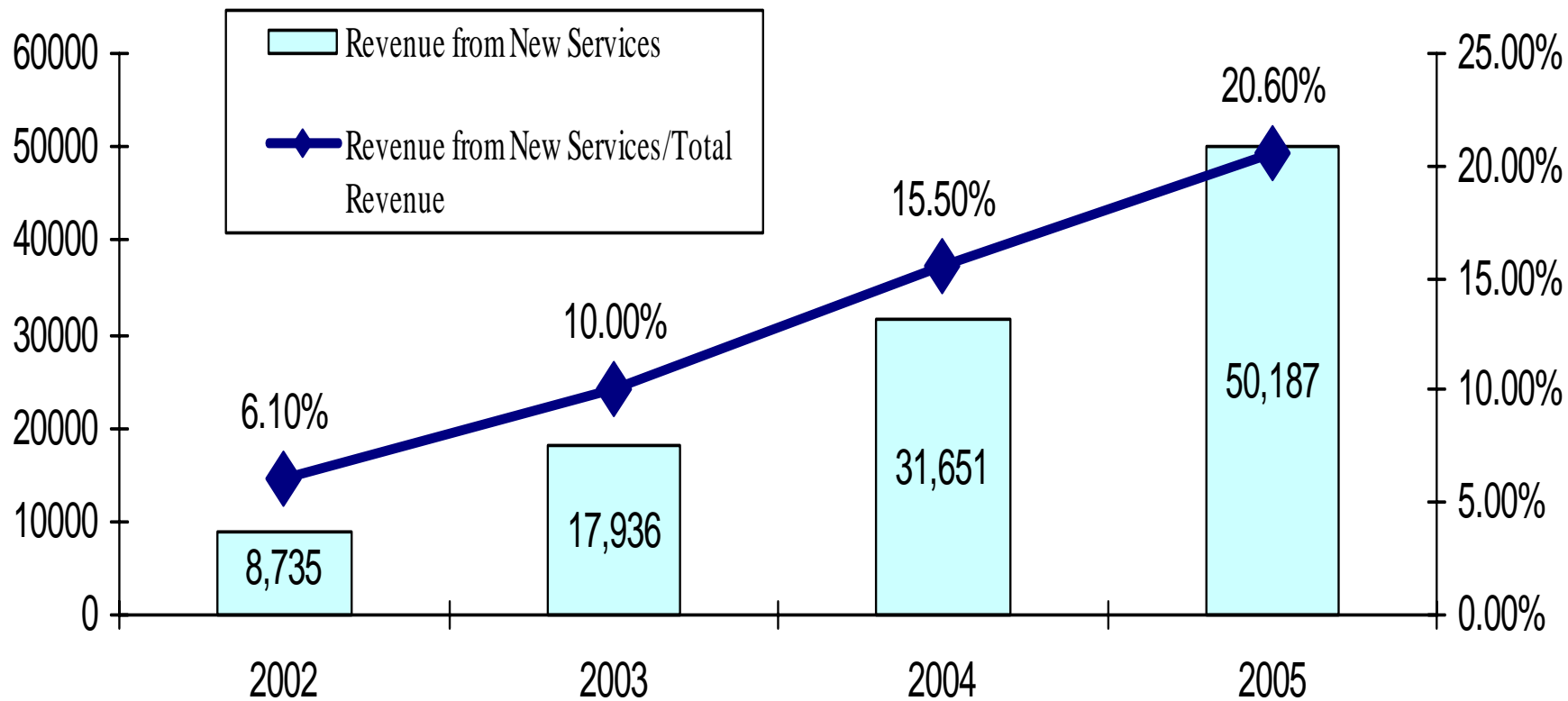
■ Impressive Growth of SMS



Revenues from China Mobile's New Services (RMB Millions)



China Mobile's New Services Revenue and Contribution to Total Revenue (RMB Billion; %)





Technology Neutrality

- **Hong Kong**

- Consistent policy stance *vs.* Government's preference to cdma2000

- **China**

- Nation's economic return *vs.* company's financial return: The case of TD-SCDMA



Spectrum Policy

- **Hong Kong**

- Innovative royalty auction of 3G license
- Consistency of renewed 2G licenses
- Urgency for flexible trade of spectrum
- Spectrum regulation for Digital Terrestrial TV
- Comprehensive frequency policy review:
 - Asymmetric regulation between mobile & fixed technology?

- **China**

- Is the benchmarked unit price of spectrum objective?



Regulatory Framework

- **Hong Kong**

- Communications Authority (CA): Merger of Telecommunications Authority (TA) and Broadcasting Authority (BA)
- The industry don't see any urgency of merger
- Infrastructure may suffer from content-related political controversies

- **China**

- Controversies over Mobile TV Licensing

- **Policy level merger may be more critical**



DRM and Copyright

- **Hong Kong**

- DRM Version 1 is used for music download
- Agreement with records companies and CASH
- Copyright is not a significant issue when using streaming technology

- **China**

- Similar to Hong Kong
- Mobile operators have more and more bargain power



Unsolicited Electronic Messaging (Spamming)

■ Hong Kong

- None of current legislations, code of practice and technology can tackle spamming effectively
- Proposed new legislation:
 - Opt-in *vs.* opt-out
 - do-not-call registers by government
 - Freedom of speech, innovation

■ China

- Sunshine • Green Network Program
 - re-register subscribers in their real names
 - Opt-out is adopted for Internet spamming regulation
 - Regulation for mobile spamming is under drafting



Harmful Content Regulation

- **Hong Kong**

- One size fits all regulation
 - Control of Obscene and Indecent Articles Ordinance (Cap. 390)
 - Prevention of Child Pornography Ordinance (Cap. 579)
- No subscription contract with children
- The role of parents

- **China**

- Service specific regulation: Internet, mobile network, movies, newspaper, ...



Network Interconnection

- **Hong Kong**

- mobile always pay fixed
- Traffic-based
- Under review: peering

- **China**

- Origination party pay terminating party
- Traffic-based



Market Competition and Network Access

- **Hong Kong**

- Using MVNO license to facilitate competition
- 3G licensees must open at least 30% of their 3G network capacity for use by non-affiliated companies to operate as MVNOs and/or content providers

- **China**

- MVNO license is not listed in the license categories
- Content and application providers have weak bargain power in accessing mobile networks



Pricing, Affordability and Transparency

- **Hong Kong**

- Pricing should be user friendly
- Affordability may not lie in service but terminals

- **China**

- Official pricing flexibility since May 2006
- SMS is actually an economic solution for affordability



Privacy



- **Hong Kong**

- Personal Data (Privacy) Ordinance (Cap. 486) is insufficient
- The Case of Bus Uncle
- OFTA's 3G licensing term regarding location-based service

- **China**

- No privacy law yet
- The “Law of the People's Republic of China on Administrative Penalties for Public Security” prohibits people from conducting peep, taking photo stealthily, eavesdropping and distributing the privacy of the others



Governance on Misconduct of Content Providers

- **The Case of China**
 - Governance on misconduct of content providers
 - Misleading subscription confirmation
 - Locking subscribers
 - Pricing transparency
 -



Conclusion

- **Mobile Multi-media services have challenged traditional regulatory framework regarding spectrum management, network interconnection**
- **Mobile Multi-media services needs new or revised legislation regarding content, privacy, etc.**
- **Terms of license can supplement legislation**
- **Policy level convergence is critical**
- **Regulation should extend beyond operators**



Thank You!

