

Subsidy Scheme to Extend Optical Fibre Networks to Villages in Remote Areas in the New Territories and Outlying Islands

Purpose

This paper aims to brief Members on the arrangements for the subsidy scheme to extend fibre-based networks to villages in remote areas (“Subsidy Scheme”), and seek their views on villages to be covered under the Subsidy Scheme.

Background

2. Currently, the household broadband penetration rate in Hong Kong is over 90%. Most Hong Kong people can now enjoy high-speed quality broadband services. However, for remote villages located in the New Territories and outlying islands, the progress of extending network coverage by telecommunications companies has been slow and unsatisfactory due to the high costs of network roll-out and the small number of subscribers. In view of this, the Chief Executive proposed in the 2017 Policy Address that the Government should take the lead to provide telecommunications companies with financial incentives in the form of subsidies to encourage the extension of fibre-based network to villages in remote areas. The Subsidy Scheme not only demonstrates the people-oriented philosophy of the current-term Government, but also provides the telecommunications infrastructure necessary for the conservation and revitalisation of rural and remote areas in future.

Details

Scope of Coverage

3. The Subsidy Scheme will target remote villages currently located far away from the existing fibre-based backbone networks of fixed network operators (“FNOs”), where villagers can only choose broadband services at a speed of 10 megabits per second (“Mbps”) or below. In the absence of fibre-based networks, FNOs are still relying on copper-based

networks for provision of broadband services to such villages. These villages are located in the remote areas of the nine districts in the New Territories, namely Islands, North, Sai Kung, Sha Tin, Tai Po, Tsuen Wan, Kwai Tsing, Tuen Mun and Yuen Long.

Benefits to the Community

4. The Subsidy Scheme will cover about 300 villages and is expected to benefit nearly 170 000 villagers¹. The final figures may be adjusted after the Government has taken into account the views of the relevant District Councils (“DCs”) and the villagers concerned.

5. The Government will invite eligible FNOs to participate in the Subsidy Scheme by way of tender. The selected FNOs will be subsidised for rolling out fibre-based lead-in connections to the vicinity of the entrances of the villages concerned. Upon the extension of fibre-based networks to the village entrances, FNOs can provide broadband services to villagers by connecting the fibre-based networks to the existing copper-based networks within the villages. Broadband speed can then instantly increase from the current 10 Mbps or below to at least 25 Mbps. If the villagers reach an agreement with an FNO to allow the latter to roll out fibre-based networks within the villages, the broadband speed can further increase substantially.

6. The selected FNOs will be required to open up at least half of the capacity of the fibre-based networks subsidised under the Subsidy Scheme for use by other FNOs for free. Such a requirement can allow other FNOs to also provide broadband services to the villages concerned by sharing the use of the subsidised facilities, thereby offering more choices to the villagers.

Preliminary Timetable

7. The Office of the Communications Authority (“OFCA”) has already commenced the preparatory work. The Commerce and Economic

¹ The preliminary estimation of the numbers of villages and villagers that will benefit under the Subsidy Scheme is worked out based on the villages specified in the Rural Representative Election Ordinance, the List of Recognized Villages under the New Territories Small House Policy promulgated by the Lands Department, and the information collected from FNOs, District Offices, Rural Committees, village representatives, etc. In addition, according to the delineation of villages under the Rural Representative Election Ordinance, one village may in effect include a number of physical villages.

Development Bureau and OFCA briefed the Chairmen and Vice Chairmen of the 18 DCs on 6 February, and will consult the 9 DCs concerned starting from March this year. We will also consult the Panel on Information Technology and Broadcasting of the Legislative Council (“LegCo”) in May, and seek approval from the Finance Committee of the LegCo for the necessary funding for the Subsidy Scheme thereafter.

8. Once funding approved is obtained, OFCA will immediately commence the tender process. Upon the completion of tender procedures and award of projects, the selected FNOs can apply to departments concerned for the relevant permits for excavation works and the roll-out of fibre-based networks and submarine fibre-based cables. Subject to the granting of permits, the views of the villagers and the progress of the works, we expect that the subsidised lead-in connections will be extended to the villages concerned in phases from 2021 onwards.

Method for Selection of FNOs

9. As stated above, we will select FNOs by way of tender. Our current thinking is to group the villages to be covered under the Subsidy Scheme into six projects and the relevant works of network roll-out for each project will be completed by a selected FNO. Eligible FNOs² who are interested in the projects have to submit bids for the tenders together with their proposals. An assessment panel will assess and vet the submissions according to the stipulated procedures and criteria. Assessment criteria will include whether the tenderers will commit to providing broadband services of higher speed at lower prices, the time required for the completion of the projects, relevant system design, the amount of subsidies required for individual projects, etc.

Villages in Islands District proposed to be covered under the Subsidy Scheme

10. Based on the information available to us, we estimate that, as at 28 February 2018, there are about 67 remote villages in Islands District, where villagers can only choose broadband services at a speed of 10 Mbps

² This refers to those FNOs which have obtained approval from the Lands Department to lay telecommunications facilities on Government land.

or below. A list of the relevant villages is at **Annex 1**. Our initial proposal is to include these villages in the Subsidy Scheme.

11. According to the information submitted by FNOs to us, there are about 19 villages in Islands District which already have fibre-based networks reaching the vicinity of the village entrances. A list of the relevant villages is at **Annex 2**. Besides, based on the information available to us, there are respectively two and one villages currently without usual residents and without proper electricity supply in Islands District. A list of the relevant villages is at **Annex 3**. As these villages already have fibre-based networks reaching the vicinity of the village entrances, currently have no usual residents, or have no proper electricity supply, they are not included in our initial proposal of villages to be covered under the Subsidy Scheme.

Advice Sought

12. This paper will be submitted to the Islands District Council for discussion at its meeting on 23 April 2018. Members are welcome to give views on the Subsidy Scheme and the villages in Islands District to be covered under the Subsidy Scheme.

13. For enquiries of this paper, please contact Mr LO Tsz-him, Senior Regulatory Affairs Manager of OFCA (telephone: 2961 6696; email: andrewlo@ofca.gov.hk).

Commerce and Economic Development Bureau and Office of the Communications Authority

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Annex 1: Villages in Islands District proposed to be covered under the Subsidy Scheme

Annex 2: Villages in Islands District which already have fibre-based networks reaching the vicinity of the village entrances

Annex 3: Villages in Islands District currently without usual residents or without proper electricity supply