

10 April 2013

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Attention: Head, Competition and Economic Analysis
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**Response of Hong Kong Information Technology Federation (HKITF) on
Second Consultation Paper on Arrangements for the
Frequency Spectrum in the 1.9 – 2.2 GHz Band upon
Expiry of the Existing Frequency Assignments for 3G Mobile Services**

As a trade association representing Hong Kong's information technology sector, HKITF believes that it is important for the Government to do what it can, to enable the mobile operators to cope with the huge surge in mobile data traffic, without disruption to customer services.

HKITF is therefore very concerned that the Government's proposal to take away and re-auction one third of the operators' current spectrum allocation will, according to the Consultation Paper ("CP") itself, cause substantial disruption to customer services.

The Government states in CP, to grant the incumbent 3G spectrum holders a right of first refusal on 2/3 of their spectrum holding and re-auctioning the remainder (Option 3) would harm users since this will adversely affect service continuity. The Government estimates, for example, that internet download speeds alone will reduce by up to 18% on average over a two to three year period. We can see no proper justification in the CP for causing such disruption. The market is intensely competitive, as the CP acknowledges, and there is no evidence showing that spectrum is being used inefficiently. Furthermore, it is considered that the Government's analysis is oversimplified and the 18% figure is underestimated. The service impact will not only be just reduction in speed but also more dropped calls or even unable to use mobile services.

We are also concerned about reports that the spectrum charges which the Government is proposing are too high. High costs will ultimately lead to higher prices for customers. The combined effect of the Government's proposal would therefore be that mobile users would pay higher prices but not

necessarily improvement in services. This may also possibly damage Hong Kong's international reputation for high quality telecommunications services.

Moreover, Hong Kong (2G spectrum) and global precedents, such as Australia, Canada, New Zealand, USA and UK support automatic renewal of the spectrum to the incumbent holders. However we couldn't see the proposed option (except option 1) has tied to any of the mission statement of OFCA.

The HKITF has over a hundred members, many of which provide innovative products and services that ride on top of mobile data. Reliable mobile internet traffic for customers is crucial for these products and services' development and utilization.

In conclusion, renewing the licenses of the four 3G network operators, at reasonable fees, is clearly the best way forward.

Yours Faithfully,



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