

Office of the Communications Authority  
29/F., Wu Chung House  
213 Queen's Road East  
Wan Chai  
Hong Kong  
(Attention: Head, Competition and Economic Analysis)

11<sup>th</sup> April 2013

**Views and Comments to the Second Consultation 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**

Dear Sir/Madam,

With reference to the public consultation regarding the above subject, I am writing to express my view points for your consideration.

Superficially, it seems that the three options proposed by the Office of the Communications Authority (OFCA) are acceptable and beneficial to the general public of Hong Kong. However, there are several points that OFCA may have made them wrong:

1. Market Competition

In my opinion, it will not bring market competition because the market competition is already very fierce. It is supported by the very low monthly mobile phone subscription fee in the region and even in the whole world. Fierce market competition has caused very low subscription fee and very slim profit margin. If any new player joins this battlefield, there will be too many players in the market.

If part of the spectrum has to be returned by the operators to OFCA for re-auction, it will cause severe service disruption because the incumbent operators have to serve their existing customers with cutback in spectrum.

2. Oversimplified Assumption

A number of assumptions by OFCA are oversimplified and unrealistic. For example,

- The reduction in overall network capacity is not by simple calculation equal to the reduction in data download speed experienced by mobile phone users
- The average of 18% reduction in data download speed is not acceptable by mobile phone users in hot spots in Central, Causeway Bay, Mongkok, because the existing data download speed is already very low.

The above oversimplified assumptions make the paper incredible.

### 3. 3G Service in MTR

The data download speed of existing operators along the MTR lines is already not quite satisfactory at the moment, especially during peak hours and at hot spots. As it takes years for any operator to build the mobile phone infrastructure inside MTR stations and tunnels, I opine that the 3G service quality will be seriously affected along the MTR lines in the first few years after 2016 because of cutback in spectrum of existing operators and inadequate / no mobile phone infrastructure of the new operator inside MTR stations and tunnels.

### 4. Tariff Increase

On one hand, incumbent operators have to build additional base stations to sustain the network quality because of the cutback of spectrum. It involves huge capital investment, engineering cost and subsequent recurrent leasing charge to the landlords.

On the other hand, with the existing infrastructure and spectrum, mobile phone users are now enjoying a very low subscription fee for a very high quality standard. Having introduced a new player into the market with other factors unchanged (i.e., allocated spectrum, number of mobile phone users, existing infrastructure) in 2016, the new player has to build her own infrastructure for providing services and the new capital infrastructure investment by the new player would be eventually funded by the general public / mobile phone users.

In the light of the above, there will be tariff increase and the mobile phone users are the victim.

It is apparent that the other part of the world is handling the spectrum for mobile operators more efficiently. In UK, operators have been given perpetual licences with administrative control on the spectrum fee. I opine that Hong Kong should learn from the practices of these countries and let the existing operators keep their licences on long-term agreements, with variable pricing to be determined by negotiation.

Yours faithfully,

Kwok Wai Shun, Wilson  
RPE, MHKIE, C.Eng, MIET