

## **Submission in response to Consultation Paper**

### **Arrangements for Assignment of the Spectrum in the 2.5/2.6 GHz Band upon Expiry of the Existing Assignments for the Provision of Public Mobile Services and the Related Spectrum Utilisation Fee**

#### **Introduction**

1 SmarTone Mobile Communications Limited (“SmarTone”) is pleased to provide its comments to the captioned Consultation Paper jointly issued by the Communications Authority (“CA”) and the Secretary for Commerce and Economic Development (“SCED”) on 23 September 2020.

2 SmarTone welcomes the opportunity to comment on the proposed arrangements for re-assignment of the 2 x 45 MHz of spectrum in the 2.5/2.6 GHz band upon expiry of the existing assignment term in March 2024. SmarTone currently holds 2 x 10 MHz in the 2.5/2.6 GHz band which is due to expire in 2028 and amounts to 14% of the total available spectrum in the band. The opportunity to have access to more spectrum in the band would enable any interested parties to acquire additional spectrum in the band to enhance their network capacity, thereby improving their mobile service customers’ experience.

3. SmarTone submits that the long-term interest of mobile service users would be best served by a regulatory and competition environment that fosters fair and effective competition in the market. Effective competition in the market depends on access to sufficient spectrum by all players in the market, and that is why it is important to ensure that no single operator would be dominant in terms of spectrum holding, thereby restricting competition in the market.

4. With the above in mind, SmarTone would like to provide its views with regard to the questions contained in the Consultation Paper.

#### **Proposed Re-Assignment Approach**

*Question 1: Do you agree with the use of a market-based approach for re-assignment of the Available Spectrum pursuant to the Spectrum Policy Framework?*

5. SmarTone is interested in acquiring additional spectrum in the 2.5/2.6 GHz band in order to increase capacity and improve spectral efficiency in the band, so as to provide better service experience to our customers. Hence, with respect to the Available Spectrum in the 2.5/2.6 GHz band, SmarTone has no adverse comment on the use of a market-based approach for the current exercise.

### **Band Plan**

*Question 2: Do you have any views on the proposal that the Available Spectrum be divided into nine paired frequency blocks with a bandwidth of 2 x 5 MHz each?*

6. SmarTone agrees that the Available Spectrum could be divided into nine frequency blocks each with a bandwidth of 2 x 5 MHz, which is the minimum allowable channel bandwidth for the band according to the 3GPP standard.

7. On the use of FDD or TDD mode of operation for the Available Spectrum, SmarTone agrees with the CA's proposal that the existing FDD mode of operation should continue to be used. The industry may conduct further review on the mode of operation in light of any significant change in the market in the future.

### **Spectrum Cap**

*Question 3: Do you have any views on the proposed spectrum cap of 2 x 25 MHz to be imposed on each bidder for the re-assignment of the Available Spectrum?*

8. Given the good radio propagation characteristics and the limited supply of the sub-6 GHz bands, OFCA should prevent over-concentration of spectrum in the bands. The proposed spectrum cap (50 MHz out of 90 MHz) represents 56% of the total Available Spectrum in the 2.5/2.6 GHz band, which is significantly higher than the previously set spectrum caps in 4G and 5G spectrum auctions generally.

9. A summary of spectrum caps previously set is provided in Annex 1. The range of spectrum caps previously set is from 33% to 40%, with two exceptions as in the auctions of 900/1800 MHz in 2018 and 4.9 GHz in 2019. It should be noted that the deviations of spectrum caps set in the two exceptions are with specific reasons. The former (900/1800 MHz in 2018) was a re-assignment exercise of existing spectrum with

right of first refusal, and the latter (4.9 GHz in 2019) was set according to the minimum spectrum bandwidth as defined in the 3GPP standard.

10. It is also worth noting that the spectrum cap in the assignment of 2.5/2.6 GHz band in 2009 was 30 MHz (33% of the Available Spectrum). The merger of two mobile network operators (MNOs) in 2014 has resulted in the merged entity now holding 45 MHz of the Available Spectrum, exceeding the spectrum cap level originally set in the 2009 auction.

11. In view of the above, SmarTone submits the existing spectrum holding of the merged entity should not be regarded as the base case for setting the spectrum cap in the coming spectrum re-assignment exercise. Instead, the spectrum cap should be set at maximum 35% as in the auction of 3.5 GHz band, so that the maximum amount of spectrum to be acquired by any individual bidder is 2 x 15 MHz to prevent over-concentration of spectrum holding in the band.

12. To safeguard any bypass of the spectrum cap rule, the connected bidder rule should apply as in previous spectrum auctions so that connected bidders will not be allowed to participate in the auction.

### **Eligible bidders**

*Question 4: Do you have any views on re-assigning the Available Spectrum by allowing all interested parties to apply for participation in the auction?*

13. We have no objection to the proposal, except that no connected bidder should be allowed to participate in the auction as mentioned above

### **Auction Format**

*Question 5: Do you have any views on the adoption of the SMRA auction format for the assignment of the Available Spectrum?*

14. If the Available Spectrum is going to be assigned by means of auction, we have no objection to the adoption of the SMRA auction format.

## **Licensing Arrangements**

*Question 6: Do you have any views on the proposed licensing arrangements as specified in paragraphs 28 – 34 above? In particular, do you have any views on the network and service rollout obligations proposed to be imposed on the successful bidders of the Available Spectrum, and the associated performance bond or network coverage statistics as the case may be proposed for ensuring compliance?*

15. We have no objection to the proposed licensing arrangements.

## **Spectrum Utilization Fee**

*Question 7: Do you have any views on the proposal in relation to the setting and collection of SUF as specified in paragraphs 35 - 36 above?*

16. We agree with the proposal that spectrum assignees will be given a choice to pay the SUF either by one-off or annual payments.

17. In the event that the CA is minded to conduct auction to allocate the Available Spectrum, SmarTone submits that the reserve price should be set as low as possible to avoid unnecessary intervention of the setting of spectrum price by the market force.

SmarTone Mobile Communications Limited

10 November 2020

## Annex 1

Band	Total bandwidth	Date of auction	Spectrum cap
2600 MHz	90 MHz (45 MHz x2)	Jan 2009	30 MHz (33% of 2600MHz)
2300 MHz	90 MHz	Feb 2012	30 MHz (33%)
2100 MHz	118.4 MHz	Dec 2014	40 MHz (33%)
900/1800 MHz	200 MHz	Dec 2018	90 MHz (45%) overall, and sub-cap of 20 MHz (45%) on 900MHz
3.5 GHz	200 MHz	Oct 2019	70 MHz (35%)
4.9 GHz	80 MHz	Oct 2019	40 MHz (50%)
3.3 GHz	100 MHz	Nov 2019	40 MHz (40%)