
Hutchison Telephone Company Limited

Response to the Consultation Paper on “Arrangements for the Frequency Spectrum in the 850/900 MHz and 2.3 GHz Bands upon Expiry of the Existing Assignments for the Provision of Public Mobile Services and the Related Spectrum Utilisation Fee”

Date: 5 January 2023





I. Introduction

1. Hutchison Telephone Company Limited (“**Hutchison**”) makes this submission in response to the Consultation Paper entitled “Arrangements for the Frequency Spectrum in the 850/900 MHz and 2.3 GHz Bands upon Expiry of the Existing Assignments for the Provision of Public Mobile Services and the Related Spectrum Utilisation Fee” (the “**Consultation Paper**”) jointly issued by the Communications Authority (the “**CA**”) and the Secretary for Commerce and Economic Development (the “**SCED**”) on 17 November 2022 .
2. Hutchison welcomes the CA’s proposal to re-assign the spectrum in the 850/900 MHz Bands (the “**850/900 MHz Bands**”) and 2.3 GHz Band (the “**2.3 GHz Band**”) for the provision of mobile services in Hong Kong. However, we are concerned about the timing of the auctions, as well as the proposed arrangements for re-assignment which do not give the existing assignees a right of first refusal to acquire parts of their existing holding of the relevant spectrum.
3. In this submission, we will explain our concerns mentioned above and provide our response to the specific questions raised in the Consultation Paper in Part II.

II. Response to the Specific Questions in the Consultation Paper

Question 1: Do you have any views on re-assigning the spectrum in the 2.3 GHz band for the provision of mobile services only?

4. From the perspective of efficient use of spectrum to the benefits of the general public, Hutchison considers it appropriate to re-assign the spectrum in the 2.3 GHz Band for the provision of mobile services only.

Question 2: Do you have any views on the proposal that 20 MHz of spectrum in the 850/900 MHz bands be divided into two paired frequency blocks with a bandwidth of 2 x 5 MHz each?

5. Given that the proposed band plan is in line with the technical standards set by the industry standardization body 3rd Generation Partnership Project (“**3GPP**”), Hutchison supports the proposal for dividing the 850/900 MHz Bands into two paired



frequency blocks with a bandwidth of 2 x 5 MHz each, which is the minimum allowable channel bandwidth for deployment of 5G services based on New Radio (NR) Frequency Division Duplex (FDD) mode of operation.

Question 3: Do you have any views on the proposal that 90 MHz of spectrum in the 2.3 GHz band be divided into nine frequency blocks with a bandwidth of 10 MHz each?

6. Having considered the existing assignment of the 2.3 GHz Band and the standards defined under the 3GPP specifications, Hutchison agrees with the proposal to divide the 90 MHz of spectrum in the 2.3 GHz Band into nine frequency blocks with a bandwidth of 10 MHz each.

Question 4: Do you have any views on the proposal of imposing a spectrum cap of 2 x 5 MHz on each bidder for the re-assignment of 2 x 10 MHz of spectrum in the 850/900 MHz bands?

7. We have no adverse comments on the proposed spectrum cap of 2 x 5 MHz on each bidder for the re-assignment of 2 x 10 MHz of spectrum in the 850/900 MHz Bands.

Question 5: Do you have any views on the proposed spectrum cap of 50 MHz to be imposed to each bidder for the re-assignment of 90 MHz of spectrum in the 2.3 GHz band?

8. According to a recent report entitled “5G Spectrum – GSMA Public Policy Position” published by GSMA in June 2022, regulators should aim to assign at least 100 MHz per operator in the 5G mid-bands, given that 100 MHz channels have become international best practice and are implemented in some 5G-leading markets. Ideally, a larger contiguous block in the 2.3 GHz Band should be assigned for the purpose of achieving higher spectral efficiency. In view of the above, we not only support the proposed spectrum cap of 50 MHz but also go further to suggest a larger spectrum cap, say 60 MHz or above, so as to give operators an opportunity to form larger continuous spectrum blocks for deployment of competitive 5G networks.
9. At this juncture, we would like to raise the issue concerning Genius Brand Limited (“GBL”), a 50:50 joint venture indirectly held by Hong Kong Telecommunications (HKT) Limited (“HKT”) and Hutchison. It is unclear from the Consultation Paper whether the auctions for the 850/900 MHz Bands and the 2.3 GHz Band would be



held simultaneously or separately. Given the shareholding of GBL and with reference to the past bidding rules, we consider that the two spectrum bands should be auctioned separately. In particular, the spectrum in the 2.3 GHz Band is due to expire only in March 2027, which is nearly one year after the expiry of the 850/900 MHz Bands in May 2026. As such, the CA should have sufficient time to arrange and hold a separate auction for the 2.3 GHz Band in 2024.

10. If the CA is minded holding the two spectrum auctions together, we consider that GBL's participation in any spectrum auction should not bar either of its two holding companies (namely, HKT and Hutchison) from participating in the auction, provided that the "effective" amount of spectrum acquired by each of the said holding companies at the auction does not exceed the spectrum cap imposed by the CA.

Question 6: Do you have any views on the re-assigning the spectrum in the 850/900 MHz and 2.3 GHz bands by allowing all interested parties to apply for participation in the auction?

11. We have no adverse comments on the proposal to allow all interested parties to apply for participation in the auction.
12. In view of the amount of the spectrum (90 MHz) available for re-assignment in the 2.3 GHz Band, a right of first refusal (the "RFR") on part of the spectrum being held should be offered to the incumbent spectrum assignees to avoid service interruption. In the past spectrum re-assignment exercises, the CA has taken into account the public policy objectives under the Spectrum Policy Framework. In particular, the need for the incumbent assignees to maintain customer service continuity. Nonetheless, the CA does not consider continuity of customer services is an issue in the present re-assignment exercise.
13. Losing all or part of the relevant spectrum by the incumbent spectrum assignees may cause service degradation and disruption. In the premises, we are of the view that the existing spectrum assignees should be offered an RFR for the spectrum in the 2.3 GHz Band, just like what the CA did in the previous re-assignment of the 1.9 – 2.2 GHz band and the 1800 MHz band.

Question 7: Do you have any views on the adoption of the SMRA auction format for the re-assignment of the spectrum in the 850/900 MHz and 2.3 GHz bands?

14. Hutchison has no adverse comment on the adoption of the SMRA auction format for the re-assignment of the spectrum in the 850/900 MHz Bands and the 2.3 GHz Band.



Question 8: Do you have any views on the proposed licensing arrangements as specified in paragraphs 34 to 42 above? In particular, do you have any views on the network and service rollout obligations proposed to be imposed on the successful bidders of spectrum in the 850 MHz, 900 MHz and 2.3 GHz bands, and the associated performance bond or network coverage statistics as the case may be proposed for ensuring compliance?

15. Hutchison agrees with the proposed network and service rollout obligations to be imposed on the successful bidders of spectrum in the 850 MHz, 900 MHz and 2.3 GHz bands, save for the issue of a guard band.
16. With reference to the Information Memorandum issued on 10 December 2010 in relation to the spectrum in the 850/900 MHz bands¹, a guard band of 2.5 MHz was in place for the successful bidders of the relevant frequency bands so as to prevent causing harmful interference to each other. As such, we suggest that the CA should include similar control measure of guard band in the 850/900 MHz Bands to prevent and tackle any potential interference.
17. Regarding the associated performance bond, Hutchison welcomes the CA's proposal to waive the requirement for the performance bond if an incumbent assignee of spectrum "successfully acquires frequency block(s) in the **same** band...", provided that the successful bidder submits network coverage figures demonstrating that its network operating with the spectrum re-assigned has already fulfilled the 90% minimum population coverage requirement in the respective band.

Question 9: Do you have any views on the proposal in relation to the setting and collection of SUF as specified in paragraphs 43 and 44 above?

18. On the setting of the level of the spectrum utilization fee (the "SUF"), we opine that the reserve price should be set at a minimal level. Letting the market decide on its appropriate price level is in line with the market-based approach adopted by the CA. Reference should be made to the last 5G auctions for the spectrum in the 600 MHz, 700 MHz, 850 MHz, 2.5/2.6 GHz and 4.9 GHz bands held in 2021, where the reserve prices were set in the range of HK\$2 million per MHz to HK\$ 5 million per MHz.
19. Regarding the payment methods, we support the proposition that spectrum assignees should be given an option to pay the SUF either by lump-sum payment upfront or by annual instalments.

¹ Paragraph C4.2, page 26 of the Information Memorandum entitled *Auction of Radio Spectrum in the 850 MHz, 900 MHz and 2 GHz Bands for Provision of Public Mobile Telecommunications Services*.



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20. In addition, we suggest that the SCED should give the spectrum assignees the permission and flexibility to subsequently alter their chosen payment method upon having satisfied certain conditions set by the SCED. Given the payment is for 15 years tenor, this flexibility is of great meaning to the assignees. Such need often arises at the time when there are changes in the market environment, economic developments, and the assignees' financial situations, etc. The flexibility would help the industry better utilize its fund and facilitate investment on more innovative products and services.

~ THE END ~