

The Views and Comments of China Mobile Hong Kong Company Limited
on Consultation Paper of OFCA dated 3 February 2016 regarding
Reassignment of the Frequency Spectrum in the 900 MHz and 1800 MHz Bands

OFCA, please see below CMHK's reply to Questions 1 – 16.

- 1) There is no overriding public policy reason for CA to prefer the full-fledged administratively-assigned approach (Option 1). In consideration of the objectives of CA stated in the Consultation Paper, the option chosen should ensure (a) customer service continuity; (b) efficient spectrum utilization; (c) promotion of effective competition; and (d) encouragement of investment and promotion of innovative services. CMHK is of the opinion that Option 1 cannot fulfill the above objectives for the reason that (1) if no new player will be able to enter into the market, it does not serve objective (c); and (2) the existing MNOs cannot obtain more spectrums that objective (d) cannot be reached. It is the fact that the current assignment given by CA was in or by 1996. Such assignment may not cope with the market growth, trends, needs and changes. This may result in inefficient spectrum allocation and utilization among MNOs, depending on their actual business need (objective b).

- 2) Among the 4 identified objectives, CMHK believes that Option 1 can ensure customer service continuity (objective a). However, the other 3 objectives cannot be achieved, with our views stated in the above answer (1).

- 3) In respect of Option 2 (the full-fledged market-based approach), there is a potential or even substantial risk that the MNOs are unable to secure at auction the spectrum they need. If it is so, it will severely affect the service continuity of 2G services for local users and inbound roamers. Also, the re-assignment through auction may result in the MNOs acquired new spectrum different from previous one. It will result in a lot of engineering re-works and unnecessary commercial investment, especially for the shared IRS sites. This may not only affect 2G network, but also 3G/4G network during the changeover if the concerned spectrum has already been re-farmed.

- 4) CMHK considers that Option 2 can achieve service continuity (objective a). It is not deny that Option 2 can fulfill objective (c). However, it is the fact that in the past, there was new comer successfully bid for 2.3GHz in the beginning of 2011. Though, the related spectrum has not been used for nearly 4 years until now. Therefore, whether new comers can encourage competition is doubtful that objective (c) may not be served. Indeed, new player needs to invest its time and capital for developing a telecommunication business. Therefore, they will raise a lot of concern to reconsider the investment input and the potential profit. Furthermore, if the new players do not use what they have bidden for, it absolutely does not mean that it is an efficient Spectrum utilization (objective b). On the contrary, if the MNOs cannot ensure its license, they will put a lot of hesitation on making further investment which will cause a huge influence on its future investment plan. Therefore, CMHK concludes that Option 2 is not the only alternative to stimulate effective competition, efficient spectrum utilization, or encourage investment for innovative services.

- 5) CMHK prefers Option 3 (hybrid administratively-assigned cum market-based approach) for the reason that the hybrid approach can, on the one hand, ensure service continuity (objective a) and, on the other hand, allow MNOs or new investors to acquire new spectrums in accordance with their business objectives (objective d). CMHK is of the opinion that 2 x 5MHz of 900MHz and 2 x 10MHz of 1800MHz should be assigned as RFR spectrums for individual MNO including CMHK. The remaining spectrums in 900MHz and 1800MHz can be released for open bidding.

- 6) Besides 2G services, MNOs has already re-farmed some spectrums for 3G/4G network purpose. Indoor radio systems in Hong Kong are mainly deployed with 1800MHz system now, and some spectrums have already been partially re-farmed for 4G network. So, the amount of set aside spectrum (2 x 5MHz) as RFR Spectrum should not only consider 2G services, but also 3G/4G services as a whole. In line with technology-neutral policy, MNOs will always ensure the effective utilization of the assigned spectrum to cater for their business need. So, it is not necessary to restrict the use of RFR Spectrum for 2G services during a transitional period. Indeed, 900MHz has better coverage and was assigned by OFCA in the very beginning to other 3 MNOs. CMHK is of the opinion that a level playing ground is healthy for the entire market that it should also have the same spectrum assignment term in 900MHz.

- 7) Among the four hybrid sub-options, Option 3A is preferred if only considered 2G service continuity. Indoor radio systems in Hong Kong are mainly deployed with 1800MHz system now, and some spectrum has already been

partially re-farmed for 4G network. Thus, when considering the amount of set aside spectrum (2 x 5MHz) as RFR Spectrum, one should not only consider 2G services, but also 3G/4G services as a whole. With reasons stated in answer (6), CMHK would suggest another variant to hybrid option that 2 x 5MHz of 900MHz and 2 x 10MHz of 1800MHz should be assigned as RFR spectrums for individual MNO including CMHK. The remaining spectrums in 900MHz and 1800MHz can be released for open bidding.

- 8) CMHK agrees that the SUF of Auctioned Spectrum should be determined through auction, to reflect the full market value of the spectrum. A capped and minimum SUF should be considered for RFR Spectrum. However, the minimum SUF can be set as low as possible so that the SUF of RFR Spectrum will likely be determined through auction, which should be a true reflection of full market value.
- 9) CMHK considers that at least 5MHz of 900MHz for each MNO and at least 5MHz of 1800MHz for MNOs is more appropriate.
- 10) CMHK agrees that the Auction Spectrum should be opened for bidding by all interested parties and new entrants.
- 11) CMHK is neutral on the proposal of 90MHz spectrum cap.
- 12) Yes, it is necessary to introduce a sub-cap for 900MHz spectrum, and the proposed sub-cap at 20MHz is suitable.

- 13) CMHK agrees with the proposed license term alignment.
- 14) CMHK is neutral to this question, as CMHK don't have 900MHz spectrum now.
- 15) CMHK agrees with the proposed network and service rollout obligation and performance bond requirement.
- 16) CMHK agrees with the proposed continuous assignment of specific spectrum for the provision of mobile coverage in country parks and remote areas.