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立法會議員(資訊科技界) Legislative Councillor (Information Technology)

Sent by Email

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Office of the Communications Authority

(Attn: Head, Regulatory 4)

consult-900-1800MHz@ofca.gov.hk

Dear Sir/Madam,

**Submission: Consultation on the Arrangements for the Frequency Spectrum
in the 900 MHz and 1800 MHz Bands and the Spectrum Utilisation Fee**

The quality and affordability of mobile services are crucial to subscribers, and also towards investment and application of innovative services. Exponential growth of mobile data usage from web browsing, streaming, social media apps and others are expected to continue with the advancement of ICT and converging trend of telecommunications operators and media content providers.

Regarding the captioned consultation on spectrum re-assignment, my views are as follows:

1. Maximising the benefits to be derived from the 'valuable but scarce' spectrum resources should not equate with extracting the most fiscal resources via spectrum re-assignment exercise, regardless of the approach used. In exercising statutory powers of the CA and complying to the Radio Spectrum Frequency Framework issued in 2007, the Government should give precedence to ensure customer service continuity and promote effective competition, as the public is concerned over the MNOs transferring billions of Spectrum Utilisation Fee to mobile service subscribers via tangible or intangible means.
2. With reference to the auction result in 2011 and 2014, estimated value of the spectrum to be re-assigned amounts to 1 billion HK dollars. Customers of the incumbent mobile operators could in theory pay more than a few dollars per month for their service plan, given the MNOs acquire their spectrum holdings. The trickle-down effect of high SUF towards mobile users from a more disadvantaged background should be taken into the CA's consideration.

3. In considering the various hybrid approaches to be adopted, availability of technologies such as carrier aggregation, which allows operators to optimise fragmented spectrum holdings, deliver higher data rates, improve capacity, and increase the ability to use spectrum fragments by increasing bandwidth, should be taken into account.
4. The development of innovative mobile services and technologies (such as 5G/IoT mentioned in the document) requires huge capital investment and planning on the part of the MNOs. In order for Hong Kong to maintain high quality telecommunication services, it is recommended the CA to choose the option that would incentivise the whole industry to drive innovation and towards introduction of next generation technologies, so that technology infrastructure of Hong Kong can continue to support the growth of burgeoning innovation and technology industries.
5. The public has higher demand and expectation towards the quality of 3G and 4G services in MTR stations and lines, yet in stations with high passenger traffic, especially during peak hours, the service quality remains poor and situation such as dropped calls, intermittent mobile web connection are common. In assessing the options for the re-assignment of the 900/1800 MHz Spectrum, it is worth considering the slow progress in service enhancement in high data traffic areas in the MTR.
6. On the payment arrangement of Spectrum Utilisation Fees, I have been informed that with the change of the method of calculating SUFs from an annual royalty payment linked to network turnover plus an upfront cash payment (prior to 2007) to an one-off upfront SUF payments (since the adoption of the 2007 Policy Framework), the Inland Revenue Department has disallowed the tax deduction of upfront SUF payments on the basis that such payments are considered by the IRD to be capital in nature, while the underlying nature of SUF payments remains unchanged. It is recommended that the CA considers the impact of the proposed arrangement of SUF payment towards stimulating investment and provision of high quality services to Hong Kong public.

Yours sincerely,



Charles Mok
Legislative Councillor (IT)