

PRIME CREATION TECHNOLOGY LIMITED

Comments to the Consultation Paper on Arrangements for the Frequency Spectrum in the
900 MHz and 1800 MHz Bands upon Expiry of the Existing Assignments for
Public Mobile Telecommunications Services and the Spectrum Utilization Fee

17 May 2016

In general, PCT agrees with the CA's view that the customer service continuity should be ensured especially on 2G services and inbound roaming, and the arrangements for the frequency spectrum in the 900 MHz and 1800 MHz Bands upon expiry of the existing assignments should promote and encourage investment and innovation. To enhance Hong Kong's position as a communications hub in the region, PCT believes the incumbent operators should invest on technologies and innovative services rather than paying high for the spectrum. On such basis, the administratively-assigned approach as proposed in the Consultation Paper will be appropriate where auction should kick in only when any incumbent operator decides not to exercise its right of first refusal; the SUF should be determined based on benchmarking of SUF levels in the Pacific region.

Question 1: Given the CA's views that there are likely to be competing demands for the 900/1800 MHz Spectrum, is there any overriding public policy reason for the CA to consider not adopting a market-based approach pursuant to the Spectrum Policy Framework and to favour the full-fledged administratively-assigned approach (Option 1) for the Re-assignment of the 900/1800 MHz spectrum?

PCT is of the view that market-based approach will be good for initial assignment of the spectrum only- for existing spectrums which are currently operating by the incumbent operators for serving the public, Option 1 would have no or the least disruption on end users especially those using local 2G services and the inbound roaming visitors.

Question 2: What are your views on whether the full-fledged administratively-assigned approach (Option 1) would achieve the four identified objectives in the Re-assignment of the 900/1800 MHz Spectrum?

PCT believes all the four identified objectives by CA would be achieved by Option 1 with right of first refusal offering to incumbent operators, based on the facts that:

- Customer service continuity would be achieved by default assuming all incumbent operators will exercise the right of first refusal in full
- Spectrum efficiency would be achieved by fine tuning of spectrum and aggregating carriers in the process of re-assignment of frequency spectrum
- Hong Kong's mobile market is already highly competitive
- If the incumbent operator(s) fear their existing spectrum(s) would be deprived of after expiry, it is highly doubtful incumbent operator(s) will continue to invest in the latest technology for the remaining period

Question 3: Do you have any concerns about the continuity of customer services, in particular as regards the provision of 2G voice services, to local users and inbound visitors if the full-fledged market-based approach (Option 2) were to be adopted for the Re-assignment of the 900/1800 MHz Spectrum?

PCT tends to believe if Option 2 were to be adopted, adverse consequences will likely take places:

- When the incumbent operator were awarded a lesser capacity in the 900/1800 MHz Spectrum than being in operations now, it is certain that 2G voice services degradation would be resulted while also 3G / 4G service continuity would be impacted
- When no incumbent operator were applying for 900/1800 MHz Spectrum in the re-assignment exercise, 2G services to inbound visitors would be discontinued
- When 900/1800 MHz Spectrum were re-assigned to a new entrant, the cost and the time to market for services would be high and long thus not beneficial to the general public

Question 4: What are your views on the full-fledged market-based approach (Option 2) in achieving the four identified objectives in the Re-assignment of the 900/1800 MHz Spectrum?

Extremely doubtful as it depends very much on the outcomes of Option 2 and adverse consequences will arise (see Question 3)

Question 5: What are your views on the hybrid approach (Option 3) in achieving the four identified objectives in the Re-assignment of the 900/1800 MHz Spectrum?

Option 3 will be very similar to Option 2 (see Question 3 and Question 4)

Question 6: Would you consider the proposed arrangement to set aside 2 x 5 MHz of the 900/1800 MHz Spectrum as the RFR Spectrum for each of the four MNOs to ensure continuous provision of 2G services during the first three years of the new spectrum assignment term too much, too little or about right? Is there any arrangement other than the provision of RFR Spectrum to each of the four MNOs would also ensure continuity of 2G services for a reasonable period of time in the new 15-year spectrum assignment term?

PCT suggests the terms for Option 1 should include mandate the incumbent operators to ensure continuous provision of 2G services however the setting aside of spectrum for the provision of 2G services is not necessary technically supposing this should be technology neutral.

Question 7: Among the four hybrid sub-options, what is your preference and why? Do you have any other variants to the hybrid option you would like to suggest, and if so, what are the details and the justifications?

PCT has no further comment.

Question 8: What are your views and comments on the principles and methods of setting the SUF as proposed in paragraphs 64 to 75 above?

PCT agrees with the CA's view that the SUF should be made reference to the levels of SUF of spectrum auctions conducted in recent years and should be set by benchmarking of SUF levels in the Pacific region. Also PCT expects as there are different MVNO players with different business models in the market already, a weak bidding competition may result if auction were to kick in. In general, PCT believes that a lower SUF will motivate incumbent operators to continue to invest on technologies thus help improve the spectrum efficiency and deliver more innovative services to the public.

Question 9: Do you agree that in devising the band plan, priority should be given to frequency slots of 2 x 10 MHz each for spectrum in the 1800 MHz band? Do you agree that the band plan in the 900 MHz band should be restructured into frequency slots of 2 x 5 MHz each?

PCT has no further comment, if this is in line with CA's policy to promote efficient use of spectrum,

Question 10: Do you agree that the Auctioned Spectrum should be open for bidding by all interested parties, including the incumbent spectrum assignees and new entrants?

PCT supports Option 1 and when any incumbent operator decides not to exercise its right of first refusal, the spectrum that becomes available for auction should be open for bidding by all interested parties.

Question 11: What are your views on the proposal to impose a spectrum cap and the proposed cap level of 90 MHz?

PCT has no further comment.

Question 12: Do you consider it necessary to introduce a sub-cap for the 900 MHz spectrum within the overall spectrum cap of 90 MHz? If the answer is yes, is the proposed sub-cap at 20 MHz suitable?

PCT has no further comment.

Question 13: What are your views on the proposed arrangements to align the 15-year term of the new assignments for

the spectrum in the 900 MHz band to commence on 12 January 2021, and to have the new 15-year assignment term for the spectrum in the 1800 MHz band to commence on 30 September 2021?

PCT expects when new technologies arise in the near future, there may come up technical recommendations that 900/1800 MHz spectrums are candidates for such new technologies for the future mobile services; CA may take this into considerations when finalizing the term of the new assignments.

Question 14: Do you agree that the SUF for the extended period of assignments shall be determined in accordance with the method as set out in paragraph 88 above?

PCT agrees the royalty payment for the year just before the expiry of the existing assignments will serve as a reference to determine the SUF and that the SUF should be determined based on benchmarking of SUF levels in the Pacific region.

Question 15: What are your views on the network and service rollout obligation and performance bond requirement proposed to be imposed on the assignees of the 900/1800 MHz Spectrum in their provision of public mobile telecommunications services under the new term of frequency assignments?

PCT has no further comment.

Question 16: What are your views on the proposal in paragraph 95 concerning the re-assignment of spectrum for the provision of mobile coverage in the country parks and remote areas?

PCT has no further comment.

Submitted by

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