

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 Utilisation Fee

Response to the Second Consultation Paper

1. Overview

This response paper is prepared by Comba Telecom Limited (Comba) in response to the Communications Authority (CA) and the Secretary for Commerce and Economic Development (SCED) second consultation paper dated 12th February 2017 on the 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 utilisation fee (SUF).

Comba would like to bring up below concerns:

1.1 **Hong Kong is already a very competitive market and the worldwide trend of consolidation**

Hong Kong mobile telecommunication market is already very competitive, we have a penetration rate above 230%. We have 4 existing Mobile Network Operators (MNOs) serving a population of 7.3 million.

The CA's proposal to put a major portion of current 900 and 1800MHz Spectrum out for auction would not necessarily attract new entrants and achieve effective competition; rather, such proposal would be a contrary to the worldwide trend towards industry consolidation.

1.2 **Business Continuity & Legitimate Expectation**

The Technical Study (September 2016) has pointed out that there is no legitimate expectation or renewal or right of first refusal (RFR), however it is important for CA to encourage continuous long-term investment, development and innovation.

Mobile telecommunication infrastructure investments are significant. When MNOs reform their 2G to 3G or 3G to 4G networks, they definitely believe business will continue for a certain reasonable period of time.

For MNOs and vendors like Comba, our business operation rides on certain assumptions to formulate strategies and plans. Business continuity is a key factor.

1.3 **High SUF affects quality of services and discourages investment, affect mobile commerce/ gaming usage and consumers**

A rough estimate shows that if a MNO opts for acquiring 40MHz of the Spectrum, it would cost billions of dollars (based on the CA's pricing proposal with inclination to the higher end, e.g. \$67M x 20MHz + \$54M x 20MHz).

Such potentially high bidding prices will affect MNOs' capability to continue invest to maintain the same quality of services and also their capability to introduce more innovative technology for mobile communication.

High SUF comes at the expense of the business sectors and the general public.
Telecom Industry: less infrastructure investment which harms equipment/ solution vendors and also contractors involved.

IT Industry/ App Developers: Bandwidth and mobile data facilitate the use of mobile apps, especially location-based game and mobile commerce apps. Higher SUF (which inevitably leads to higher data plan charges) would hinder the widespread usage of these apps.

Mobile users/ Consumers: High SUF hampers MNOs' ability to provide low-priced mobile data plans to consumers.

2. Response to the questions in the 2nd Consultation paper

2.1 Question 1

What are your views on the proposals of the CA to adopt the hybrid administratively-assigned cum market-based approach for the Re-assignment of the 900/1800 MHz Spectrum, by re-assigning 2 x 10 MHz of spectrum in the 1800 MHz band to each of the incumbent spectrum assignees through the offer of a right of first refusal, based on the overriding public policy reasons of safeguarding the provision of 4G services in the Remaining MTR Stations, and ensuring territory-wide continuity of 2G services if demands exist post 2020/21, and re-assigning the rest of the 900/1800 MHz Spectrum by way of auction?

Today the market is already very competitive. CA is proposing to put most of the current 900 and 1800MHz spectrum out for auction, this would not necessarily attract new entrants and achieve effective competition. There's a worldwide trend towards industry consolidation. Comba has concern about business continuity.

2.2 Question 2

What are your views and comments on the methods of setting the SUF as proposed in paragraphs 92 – 100 above?

Comba is concerned that such high SUF might discourages investment, affect mobile commerce/ gaming usage and consumers.

Less infrastructure investment affect equipment/solution providers and contractors, also results in poorer quality of service.

High SUF might results in high mobile data plan which hinder the widespread usage of mobile apps (e.g. mobile commerce and gaming etc.)

2.3 Question 3

What are your views and comments on the method of payment of SUF?

Comba has no comment on question 3.

2.4 Question 4

What are your views on the band plan proposed above for the re-assignment of the 2 x 75 MHz of spectrum in the 1800 MHz band? Would you consider the proposed frequency slots to be re-assigned to individual incumbent spectrum assignees as the RFR Spectrum an optimal arrangement from the industry's point of view?

Please see Comba's response in section 2.1.

2.5 Question 5

What are your views on the band plan proposed above for the re-assignment of the 2 x 25 MHz of spectrum in the 900 MHz band?

Please see Comba's response in section 2.1.

2.6 Question 6

What are your views on the use of the SMRA format that has been adopted in the spectrum auctions held by the CA in recent years to auction off the Auctioned Spectrum in the 900 MHz and 1800 MHz bands?

Comba has no comment on question 6.

2.7 Question 7

What are your views on the proposed SC requiring all licensees to seek the prior consent of the CA and to make proper arrangements for the affected customers before phasing out their provision of 2G services and other generations of mobile services in the future?

Comba has no comment on question 7.

2.8 Question 8

Do you have any views on other aspects of the proposed framework for the Re-assignment of the 900/1800 MHz Spectrum not explicitly asked in the questions set out in the paragraphs above?

Comba has no comment on question 8.

3. Summary

Comba, as part of the Hong Kong mobile telecommunications industry, supports the CA's policy objectives to ensure service continuity, to increase spectrum utilisation efficiency, to promote competition, and to encourage of investment and innovation.

Comba is concerned about CA's proposal on putting major portion of current 900/1800MHz spectrum out for auction. The auction result might impact business continuity, high SUF which might in term impact MNOs capability to invest or to keep offering competitive mobile plans to the consumers.

We appreciate the opportunity to make this submission.