

Licensing of Spectrum in the 850 MHz Band to Enable the Provision of CDMA2000 Service

Consultation Paper

27 October 2006

EXECUTIVE SUMMARY

Introduction

The 3-year migration period granted to the licensee providing the IS-95 CDMA¹ mobile service will expire on 20 November 2008. The Telecommunications Authority (TA) considers it necessary to initiate a consultation to solicit views from the industry and other interested parties on the need and the way-forward to release spectrum to enable the continuity of the CDMA mobile service in Hong Kong after 20 November 2008.

Issue of a Single New Licence in the 850 MHz Band

2. The TA proposes that a frequency block with a maximum bandwidth of 10 MHz x 2 in the 850 MHz band (825 – 835 MHz paired with 870 – 880 MHz) will be made available for a single licence to provide CDMA2000 mobile service after 20 November 2008.

Payment of Spectrum Utilisation Fee

3. The use of the relevant frequency block should be subject to the payment of the Spectrum Utilisation Fee (SUF). The TA proposes the adoption of an one-off lump sum SUF, the amount of which is to be determined through an open auction in the form of multiple round ascending auction (MRAA). The amount of reserve price and bid price increment will be set nearer the time of the auction.

¹ Code Division Multiple Access

Pre-qualification Requirements

4. For the pre-qualification exercise, the TA proposes that bidders are required to lodge with the Government, *inter alia*, a deposit of specified amount which may be forfeited if the bidder violates the bidding rules or fails to take up the licence after winning the auction.

Eligibility of Incumbent Carriers or Their Related Parties

5. Incumbent 2G and 3G licensees and their related parties will be permitted to take part in the auction and there should not be any bidding restriction in the form of a spectrum cap i.e. there is no upper limit on the total amount of spectrum that can be held by a licensee and its related companies. The TA also proposes that any individual company or group of companies may not enter more than one bid.

6. The TA is of the preliminary view that *ex post* regulation of joint bidding activities would be proportionate to the risk of any adverse effect to competition in telecommunications markets. The TA therefore proposes not to require any joint bidder to seek his consent prior to participation in the auction i.e. no *ex ante* rule applies.

Applicable Regulatory Framework and Licence Conditions

7. The successful applicant will be granted a Unified Carrier Licence (UCL) if it can be put in place in time, otherwise the successful applicant will be granted a Mobile Carrier Licence. In both cases, the new licensee will be subjected to the same set of conditions as the incumbent 2G and 3G licensees.

8. The TA is of the preliminary view that the Open Network Access (ONA) requirement, which requires mobile carriers to open at least 30% of their network capacity for access by non-affiliated Mobile Virtual Network Operators or content and service providers, should not be imposed in the current licensing exercise. Furthermore, to maintain a level playing field, the TA proposes that the ONA requirements as applicable to the existing 2G and 3G licensees should also be withdrawn.

9. To enable the continuity of the CDMA mobile service after 20 November 2008, the TA proposes that the new licensee should be obliged to roll-out its network and provide service no later than 1 year after the grant of the licence to the “Golden Bowl Area” plus other strategic locations like the MTR and KCR railway systems, the airport and other border control points. The new licensee will be required to lodge a performance bond to guarantee compliance with the network roll-out and service provision obligations. The details of these licence obligations and the amount of performance bond will be announced nearer the time of the auction. Furthermore, similar to the existing 2G mobile carrier licences, it is proposed that a licence condition will be imposed requiring the new licensee to refuse the provision of service to any person who possesses or uses a mobile handset which is stolen or suspected stolen.

Timeline

10. The TA intends to conduct the auction some time around early October 2007 and to grant the licence by end of October 2007. The TA will publish the bidding document and application form for information of the interested parties around August 2007.

Invitation of Comments

11. The TA would welcome views and comments on the proposals contained in this consultation paper on or before 27 December 2006.

Office of the Telecommunications Authority
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