

Assignment of the Available Radio Spectrum In the 900 MHz and 1800 MHz Bands

Statement of the Telecommunications Authority

4 July 2008

Executive Summary

Introduction

On 18 January 2008, the Telecommunications Authority (“TA”) published a consultation paper entitled “Assignment of the Available Radio Spectrum in the 900 MHz and 1800 MHz Bands” to seek views and comments from the industry and interested parties on the assignment of the available radio spectrum. After careful consideration of the submissions, the TA draws the conclusions as detailed below.

The Use of the Spectrum and Assignment Method

2. The TA decides to make available the radio spectrum of 4.8 MHz x 2 in the 1800 MHz band (1780.1 – 1784.9 MHz paired with 1875.1 – 1879.9 MHz) to existing Mobile Network Operators (“MNOs”) for service expansion. The spectrum will be divided into six blocks for bidding.

3. In line with the Government’s market driven policy, auction will be used for the assignment of the available spectrum. The period of assignment will be coterminous with the expiry date of the PCS mobile carrier licences i.e. 29 September 2021.

4. The TA decides to defer the decision on the release of available radio spectrum in the 900 MHz band. He will re-assess the market demand and the technical feasibility of sharing/co-assignment the relevant spectrum in the light of the up-to-date plan for cross-boundary train services, and will consult the industry again on the assignment of all the available spare radio spectrum in the 800/900 MHz band after the detailed design of the Express Rail Link (“XRL”) is finalized.

Payment of Spectrum Utilization Fee and Auction Arrangement

5. Consistent with the guiding principles under the Radio Spectrum Policy Framework, the use of the relevant spectrum will be subject to the payment of Spectrum Utilization Fee (“SUF”). The SUF will consist of two components: (a) an annual variable component based on the SUF calculation formula for the 2G spectrum under the existing 2G licences (to be paid on a yearly basis) and (b) an additional up-front lump sum component based on a sum committed by the successful bidder(s) in the forthcoming auction.

6. The Simultaneous Multi-Round Ascending (“SMRA”) auctioning arrangement will be used in this auction exercise. There is no restriction or cap on the amount of spectrum that a bidder can acquire in the auction.

Way Forward

7. The TA will recommend to the Secretary for Commerce and Economic Development (“SCED”) the enactment of the necessary regulation under section 32I(2) of the Telecommunications Ordinance (“TO”) to determine the SUF by auction. The TA will also make an order under section 32I(1) of the TO designating the available spectrum in the 1800 MHz band to be subject to the payment of the SUF. Upon completion of the relevant subsidiary legislations by the Legislative Council, the TA will publish the terms and conditions of the auction. It is targeted to complete the necessary subsidiary legislations process by end 2008, to publish the bidding documents or Information Memorandum in early 2009 for information of the interested parties, and to conduct auction in the first half of 2009.

Office of the Telecommunications Authority
4 July 2008