

Consultation on 2G Licence Renewal

Presentation to Consumer Council

CDMA & TDMA Licences - Why not renew them?

- 800 MHz band allocated to Hutchison (CDMA) and CSL (TDMA) since 1992
- Falling subscriber base
- Falling no. of base stations

⇒ Under-utilization of the spectrum,
a scarce public resource

Objectives

- Optimal utilisation of the 800 MHz spectrum for the development of mobile industry and for consumer benefit

⇒ Legitimate and necessary for the Government to consider the best licensing proposals upon licence expiry to meet policy objectives

Licensing Proposals

- Upon expiry of Hutchison's licence,
 - Not to grant right of first refusal
 - Award the frequency to a successful bidder with the best business case through competitive bidding
 - Incumbents and new entrants to bid on par: the no. of operators is always the market's decision
- Upon expiry of CSL's licence,
 - Not to grant right of first refusal
 - Reserve the frequency for future use by the 9 incumbent GSM/PCS licensees

What Are the Potentials for the New Licence

- 800 MHz spectrum will best support CDMA service due to commercial considerations, equipment availability and band coordination plan between Hong Kong and China
 - ★ This assessment does not compromise our technology – neutral regime
 - ★ Choice of technology remains the commercial decision of operator

What Are the Potentials for the New Licence

- Facilitate introduction of innovative mobile data services supported by CDMA 2000 standard, currently not available in Hong Kong
- Allow consumers to enjoy services and devices similar to those that have become successful in Japan and South Korea
- Enhance consumers' demand for mobile data services and hence increase revenue potential of the market to benefit all players

Obligations of the New Licence (1)

- More stringent licence conditions for the new licence
- Minimum network capacity for mobile data services, e.g.
 - a percentage (e.g. 20% or 50%) of network capacity dedicated to mobile data service; or
 - a percentage of user revenue to be derived from mobile data usage; or
 - average volume of data usage by users

Obligations of the New Licence (2)

- More stringent network rollout requirement
 - to provide network and service coverage to at least 50% of population with a peak data rate per radio carrier of at least 2 Mbps in 3 years' time from the grant of licence

Obligations of the New Licence (3)

- Structure of SUF similar to that of 3G licences
- SUF will be levied right from the grant of the new licence

“Myths” and “Facts” (1)

Myth: Licence policy to issue more licences

Fact: No additional licence. Operators know that 2G spectrum may be used for 2G and 3G services

“Myths” and “Facts” (2)

Myth: OFTA picks technology winner

Fact: Not picking winners – but to facilitate adoption of WCDMA and CDMA 2000 standards in Hong Kong. Multiple standards, to be chosen by operators, will continue in Hong Kong, as in Japan and Korea

“Myths” and “Facts” (3)

Myth: Scale economy required. Therefore no more new licence

Fact: Though scale economy is a relevant factor for the telecom industry (including fixed and mobile), this does not justify

- Limiting competition, or
- Limiting the number of licence to be issued except when there are spectrum constraint

We have an open mind about M&As except those which substantially lessen competition

OFTA's Consultation

- 2nd consultation will end on 19 June 2004
- At the consultation stage, we are open to arguments for or against our proposals

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