

Assignment of the Available Radio Spectrum in the 850 MHz, 900 MHz and 2 GHz Bands

Statement of the Telecommunications Authority

31 March 2010

Executive Summary

Introduction

On 20 November 2009, the Telecommunications Authority (“TA”) issued a consultation paper entitled “Assignment of the Available Frequency Spectrum in the 850 MHz, 900 MHz and 2GHz Bands” to seek comments from the industry and interested parties on the assignment of the available frequency spectrum. The TA also invited expression of interests from interested parties who might wish to bid for the relevant frequency spectrum. After careful consideration of the submissions and the expression of interests received, the TA draws the conclusions as detailed below.

The Available Frequency Spectrum

2. The TA decides to make available in total 29.7 MHz radio spectrum, i.e. 5 MHz x 2 in the 850 MHz band (832.5 – 837.5 MHz paired with 877.5 – 882.5 MHz) (“Block A”), 5 MHz x 2 in the 900 MHz band (885 – 890 MHz paired with 930 – 935 MHz) (“Block B”) and 9.7 MHz in the 2 GHz band (2010 – 2019.7 MHz unpaired) (“Blocks C1 and C2”), for bidding by any interested parties, including incumbent mobile network operators and new entrants, for the provision of public mobile services.

The Assignment Method and Spectrum Utilization Fee

3. The frequency bands will be assigned by way of a single auction using Simultaneous Multi-Round Ascending format. There is no restriction on the amount of spectrum that a bidder can acquire during the auction. The successful bidder of Block A, B, C1 or C2 is required to pay a one-off lump sum spectrum utilization fee (“SUF”). The amount of the reserve price will be specified by the TA nearer the time of the auction.

Licensing Arrangement

4. The TA concludes that the successful bidders for Block A, B, C1 or C2 should be subject to the network and service rollout obligation to provide a minimum coverage of 50% of population within five years from the grant of the licence and shall lodge a performance bond as a guarantee of its compliance with the aforesaid network and service rollout obligation.

5. As for the Open Network Access (“ONA”) requirement, the TA decides not to impose the ONA obligation on Blocks A, B, C1 and C2. For the ONA requirement currently imposed on the 2G and 3G licensees, the TA decides that the ONA requirement should be retained in the 3G licences until their expiry whereas the TA decides to release 2G licensees from the ONA requirement.

Way Forward

6. The TA will recommend to the Secretary for Commerce and Economic Development to enact the necessary regulation under section 32I(2) of the Telecommunications Ordinance (the “Ordinance”) to determine the SUF of Blocks A, B, C1 and C2 by auction. The TA will also make an order under section 32I(1) of the Ordinance designating Blocks A, B, C1 and C2 to be subject to the payment of the SUF. Upon passing of the relevant subsidiary legislation by the Legislative Council, the TA will publish the terms and conditions of the auction. Upon

completion of the necessary legislative process, the TA will publish the bidding documents or Information Memorandum for information of interested parties in a timely manner. The current timetable indicates that the auction may be conducted in the last quarter of 2010 at the earliest.

Office of the Telecommunications Authority

31 March 2010