

Short Response to the Broadband Wireless Access Consultation Paper

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1. BWA is currently seen as a fixed-wireless application with mobile-wireless applications to follow maybe within two-to-three years. The CP proposes regulation that would trail technology rather than anticipate it by restricting licencees to offering only “limited mobility”. An alternative approach is to lift any restrictions and allow the market to determine BWA applications within the limits set by spectrum usage and interference issues.
2. The CP seems over-concerned to see BWA as a possible alternative to Type II interconnection. It is indeed a possible alternative, but equally existing and new entry FTNS licence holders may decide in two or three years they would prefer to offer mobile broadband access services. What is gained by the consumer or by Hong Kong in restricting this choice? Why should regulation trail rather than facilitate technological possibilities? Of course, this has broader implications for the issue of fixed-mobile convergence, and related issues such as the future of PNETS charges, etc., but is this incremental approach really justified on the grounds that OFTA has not yet had time to consider the full consequences? Why not live with them?
3. The preferred method of spectrum assignment in the CP is the deferred payment method. This avoids the problems of large upfront debts, and has the advantage over the royalty auction method, used for the 3G licences, of establishing a known payment obligation for both Government and operators. The Government can take measures to insure against the risk of the operator withdrawing from the market or selling the licence, but the risk the operator bears of not knowing what future revenues will be relative to the payment committed for spectrum is not easily insured against. The royalty auction shares the risk between the two parties, as the requirement to pay and the ability to pay are synchronized and no-one knows in advance what these levels will be. Operators with deeper pockets will benefit from the

deferred payment method, but smaller operators and new entrants are probably better off with the royalty method. The choice of method therefore relies upon Government objectives rather than in the intrinsic virtues of the methods themselves. The objectives should be clearly stated.