

**CM TEL (HK) Limited**

**Submission in response to the Licensing Framework For  
Deployment of Broadband Wireless Access Consultation Paper  
issued on 20 December 2004**

**14 March 2005**

## **Introduction**

CM TEL (HK) Limited ("CMT") welcomes the opportunity to comment on the various issues on Broadband Wireless Access (BWA) discussed in the Licensing Framework For Deployment of Broadband Wireless Access Consultation Paper issued by the Telecommunications Authority on 20 December 2004 (the "Consultation Paper").

We support the Telecommunications Authority (TA)'s initiative to conduct this consultation exercise on BWA and believe that it is now right time to devise a plan of implementation.

With reference to the Consultation Paper, we have no doubt that the BWA technologies can be a good substitute to the "to-be-phrased-out" Type II interconnection for deployment of the "last mile" access. In practical, it would have been too crowded for ten licensees of Fixed Telecommunications Network Services (FTNS) in Hong Kong all jammed with cabling work on the roads and buildings for laying physical wireline telephony plant. BWA is obviously a mature solution to reduce the loading of roadwork and building access for fixed telephony services. So, in consideration of alternative to overcome practical limitations such as the lack of underground ducts and in-building cabling facilities, time factor for speedy rollout of a broadband network, and cost-effectiveness measurement for serving rural and outlying areas customers, we support the TA's preliminary view that BWA should be licensed for the provisioning of fixed network services in Hong Kong.

We would propose that application for licensed BWA should be open for all fixed carrier licensees as soon as possible after completion of this consultation exercise. We hope that the TA can announce the regulatory framework for BWA services and complete the licensing process before end of June 2005.

In the following paragraphs we would address to some questions raised in the Consultation Paper.

## **Spectrum Issues**

We share the TA's preliminary view on the applications of BWA in particular its being a viable solution for the "last mile" access, and the analysis of available spectrum. We concur that the 3.5 GHz band is a possible and could be the most appropriate licensed band for BWA deployment in Hong Kong. We have no objection to the proposal of the Consultation Paper that the 3.4 - 3.6 GHz band may gradually be allocated to BWA on a primary basis and the spectrum management of fixed satellite service (FSS).

To the band plan design, we have no strong preference on technology that operates in either FDD or TDD mode. However, we would maintain a view that regulator should provide as much spectrum as possible to qualified applicants and facilitate the quickest deployment of BWA services. We believe that a more flexible approach in allocating spectrum without specifying which mode of operation will help the better use of spectrum.

## **Standards Issues**

CMT agrees with the TA that we should stick to technology neutrality principle. Regulator's role is not to determine which technology or technologies should be used in the delivery of a service, but to provide a set of fair and equitable ruling conducive to enhancing Hong Kong's overall competitiveness in the telecommunications environment in the region. As long as the rules set has no bias on the implementation of technology, BWA service providers are allowed free choice of equipment and there should not be any regulatory concern from a competition perspective.

## **Licensing Issues**

We support the TA's proposal that BWA in Hong Kong to be initially be offered as a wireless extension of the conventional wireline based fixed network service. We agree with the arguments stated in paragraphs 34 and 35 in the Consultation Paper and propose that BWA spectrum should be released for fixed carrier licensees whom want to establish fixed networks in Hong Kong. It is known that OFTA has planned to conduct a critical review of the fixed and mobile convergence and its impact on the existing regulatory framework in 2005. In the circumstance, we have reason to believe that the application of the BWA spectrum may be subject to future review, partly because of technology advancement in its mobility capability and partly because of the outcome of the fixed and mobile convergence review exercise. Therefore, we consider that the TA's proposal of 'limited mobility' on the service offered by a fixed carrier licence through BWA is acceptable.

## **Assignment of Spectrum**

CMT disagrees with the proposal of spectrum assignment by auction. We consider that a better approach for the assignment of spectrum is selection by beauty contest.

In paragraph 42 of the Consultation Paper, we notice that it validly points out the drawbacks of the auction method: potential for overpricing, speculative bidding for subsequent spectrum trading, and inherent competitive advantage of big players with financial strength to out-bid smaller players. However, we do not believe that these valid concerns can be simply resolved by a set of auction rules.

Out of all the above concerns, the most important thing is the uneven financial strength between big players and smaller players will inevitably introduce unfair and undue competitive advantage of big players over the smaller players. It is natural tendency of the big players to push up the price and out-bid those smaller players. Eventually, the higher-priced spectrum fee will fall on the shoulders of end customers. On the other hand, if the spectrum is obtained through auction which brings to a higher committed price, successful bidder will expect for corresponding title of its costly-paid spectrum. The bidder will usually be reluctant to surrender the spectrum even it under-utilizes the same in the future. Analogy can be drawn from the recent dispute on surrendering under-utilized spectrum blocks between a CDMA service provider and the government, and such lesson should be always remembered.

BWA spectrum is scarce public resource and we have responsibility to maximize the utilization of it for consumers' best interest. Our experience suggests that special care must be taken to ensure the assignment method is right and fair. CMT believes that selection by beauty contest can balance the uneven financial strengths between big players and smaller players. Through carefully designed set of criteria to assess the proposals from different interested parties, smaller players with advanced and innovative ideas can receive a fair opportunity for entry and be encouraged to compete in a level playing field.

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