

Response
to
OFTA Consultation Paper
“Licensing Framework for Deployment
of
Broadband Wireless Access”



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**LICENSING FRAMEWORK FOR DEPLOYMENT
OF
BROADBAND WIRELESS ACCESS

CONSULTATION PAPER**

Response from e-Kong Group Limited

1. Introduction

e-Kong Group Limited (“e-KONG”) welcomes the consultation by the Office of the Telecommunications Authority (“OFTA”) on the Licensing Framework for Deployment of Broadband Wireless Access (“BWA”) and makes this submission in response to the consultation paper issued by OFTA on 20 December 2004.

e-KONG is a company whose shares are listed on the main board of the Hong Kong Stock Exchange (HKSE:524). Our principal operating subsidiaries are carrying on the business of provision of telecommunication services. The telecommunication business of the e-KONG group of companies, marketed under the brandname “ZONE”, currently has operations in Hong Kong (www.zone1511.com), the United States (www.zonetelecom.com) and Singapore (www.zone1511.com.sg). One of e-KONG’s operating subsidiaries, ZONE Limited, currently holds Public Non-Exclusive Telecommunications (PNETS) Service Licences in Hong Kong.

e-KONG's business model is based on leveraging the appropriate technologies and business systems to bring innovative communication services to its corporate and consumer customers. e-KONG believes that the deployment of BWA technologies has the potential to bring significant benefits to businesses and consumers, providing them with greater choice and accessibility to a wide range of services and applications. We urge OFTA to adopt a regulatory framework that allows unhindered development and deployment of new technologies and services, that ensures the efficient and optimal utilisation of the spectrum resources allocated and one that provides sufficient certainty for licensees to be confident enough to invest in a business that will bring long term benefits to the industry and customers.

2. Spectrum

At present, there is no internationally harmonised frequency for BWA deployment but BWA technologies may operate in bands of 1.9GHz, 2.0GHz, 2.3GHz, 2.5GHz and 3.5GHz. e-Kong supports OFTA's allocation of 3.4 - 3.5GHz spectrum band for BWA since (a) it is consistent with allocations adopted by the more common industry standards, including IEEE, ESTI, WiMAX and 3GPP, for development of BWA technologies; (b) the choice of spectrum band is limited as most of the other possible frequency bands have already been allocated for other purposes and (c) Mainland China, potentially the largest BWA market, has also allocated 3.5GHz for BWA deployment.

In the near future, it is highly unlikely that there will be one internationally accepted technology or frequency band that will be adopted by most countries for BWA

deployment. However, BWA networks operating within a widely accepted spectrum band that allows the use of common interoperable equipment and has international and regional roaming capabilities will have certain advantages in terms of equipment cost and revenue potential.

3. Standards

e-KONG concurs with OFTA's technology neutral principle. However, OFTA should adopt a regulatory framework for BWA that is supportive of interoperability of technologies and networks and use of common equipment, irrespective of which standard is adopted by the licensees.

In relation to the concern of the equipment market being dominated by one or just a handful of manufacturers being a valid regulatory concern from the competitive perspective, e-KONG believes that it should be left to the market to determine the choice of equipment vendors. Furthermore, any attempt to legislate the choice of equipment manufacturers would have very little or no impact as the size of the Hong Kong market for such equipment is inconsequential.

4. Licensing

OFTA's preliminary proposal that BWA spectrum should be reserved for carriers with the intention to establish fixed networks and its proposal to allow only "limited mobility" would in our view be restricting fair and open competition, and would result in a wasteful and underutilisation of the allotted spectrum for BWA.

The advancements of integrated technologies and the evolution of IP-based networks are bound to accelerate the evolution of convergence of fixed and mobile services. BWA technology is in the forefront to push the realisation of the fixed-mobile convergence. For example, full mobility is already available in the UMTS-TDD standard and WiMAX Forum has recently announced that full mobility on its standard will be launched in 2006.

It is our view that the license awarded by OFTA for BWA should not have any distinction on whether the services provided are “fixed” and “mobile”. The license awarded should be for the provision of wireless services using the spectrum band allocated. To confine the services to either “fixed” or “mobile” would be to impose unnecessary regulatory constraints and restrict the full utilisation of the spectrum resources and the capabilities of the BWA network.

A two-stage approach of initially offering fixed service and possibly migration to mobile without a definitive timetable would in our view create regulatory uncertainty and unnecessary business risk to the operators considering rolling out the BWA network. It would be difficult to determine the amount and pace of investment required without knowing a definitive timing of the migration process from fixed to mobile and also without knowing the regulatory framework for full mobility services.

5. Assignment of Spectrum

e-KONG supports the allocation and assignment of spectrum by way of an auction. We believe this would be the most appropriate, transparent and objective way to allow the market forces to determine the best price for this valuable asset.

6. Conclusion

While the industry appreciates the potential and benefits arising from deployment of BWA technologies, commercial deployment is still at its infancy and there are still considerable uncertainty in respect to technical standards and spectrum band allocations. To realise the full potential of BWA technologies and reap the benefits of its services and applications, it is crucial for OFTA to adopt a regulatory framework for BWA that (a) is supportive of interoperability of networks and technology, (b) encourages the efficient and optimal utilisation of spectrum resources, (c) exercises regulatory objectivity and certainty to encourage continuing investments in deploying new BWA technologies and services and (d) promotes fair competition but maintains a level playing field for both existing telecom service providers and new entrants.

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