

# **Submission for the Consultation on Licensing Framework for Third Generation Mobile Services**

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This response is submitted by the Champion Technology Holdings Limited.

## **1. TIMING**

It is the intention of the TA to invite applications for 3G licenses in the last quarter of 2000. It is commonly known that the infrastructure equipment and end-user terminals always have availability and high pricing problems when a new technology is first introduced. This is proven by the actual facts when Analogue and Digital Cellular were first introduced in Hong Kong. Though it is always the TA's aim to bring new technologies to Hong Kong as quickly as possible, however, we may need to make the right balance between timing and cost. We would suggest that the TA should obtain more information on availability and pricing prior to making the final decision on the timing of inviting applications.

## **2. STANDARDS**

Though majority areas will consider to adopt the ITU IMT-2000 for the 3G services, the rest areas may still go for other standards. Bear in mind some potential foreign applicants may have other considerations and connections in their home countries on the supply of infrastructure equipment and end-user terminals as well as preference in technologies, it is unwise to force them to adopt a particular standard which they are not comfortable with. We have now different digital cellular standards in Hong Kong and frequent travelers could freely choose to use the appropriate standards for their frequently traveled destinations. Also, due to number portability, customers could easily change operators should they feel unhappy with a particular standard and/or operator.

We support the multiple standards and technology neutral policy which allows the successful applicants to adopt freely the standards of their choice.

### **3. SPECTRUM ISSUES**

It will take a considerable time for the manufacturers and operators to develop attractive and innovative 3G applications, thus the initial take-up rate will be slow. Also, it will take time for the general public to learn and accept the new applications. 2G & 3G will probably co-exist for a long time. Our estimation is that 3G will become more matured by 2005. Therefore the existing 2G operators may not need the 3G spectrum right from the beginning and could probably wait for the availability of equipment which could operate in the 2G spectrum. The TA may consider not to grant any new 3G spectrum to the existing operators. Alternatively, even if part of the 3G spectrum will be granted to the existing operators, the TA should impose that they will return the existing 2G spectrum for reallocation purposes on the completion of migration. Spectrum is a scarce public resource and should not be dominated by a few.

While we support and agree that new 3G operators and existing 2G operators will require 2 x 15 MHz and 2 x 10 MHz spectrum respectively, we suggest that the existing 2G operators will be allowed to 2 x 15 MHz eventually and have to return any remaining spectrum for reallocation purposes. This will push the operators to find new ways to use their allocated spectrum even more efficiently.

### **4. LICENSING ISSUES**

As stated in previous paragraph, the existing 2G operators will not need the 3G spectrum to provide most of the 3G services at least at the initial stage, we strongly support that majority of the new 3G spectrum should be granted to new entrants. By doing so, Hong Kong will enjoy the benefits of new operators bringing in new innovative services as well as increasing the market competition. We support option 4 which allows the maximum number of 3G operators. New entrants should have priority over that of the existing operators in the selection process for the reasons stated previously. Only those existing operators who can prove having capacity problems in the near future will be considered in the 3G spectrum allocation. We also support that the successful bidders whether existing or new will have to put in substantial performance bonds against the milestones they have laid down in the submission. We want Hong Kong keeping its leading position in the introduction of new technologies.

We strongly support the current practice of selecting the successful applicants by evaluating the merits of the applications. This practice has been so far seen to be fair and accepted by the majority of the public. We understand that there is pressure to implement spectrum auctioning as a result of the current UK bidding exercise. However, we strongly object this proposal due to the following reasons:

- Hong Kong's wealth and businesses are already seen to be dominated by only a few individuals and corporations. By auctioning the 3G spectrum, it will further enforcing the perception. Those BIG corporations which can afford to pay the high premium will win while those smaller companies with innovative ideas will be left out.

- The successful bidders will have to get a reasonable return on their investments. The money paid for the auction will have to be transferred to the consumers one way or the other. It is not beneficial to the general consumers.
- Existing operators which had obtained their current frequencies free will have distinct advantages over the new operators. They can afford lower tariffs in providing 2 1/2G or 2 3/4G applications which are very similar to that of 3G and thus making the life of the new operators extremely difficult. They are not competing on a fair ground.
- Frequency spectrums will be treated as a commodity and will be traded in the market. The successfully bidders may not have the interest or desire to operate 3G networks but rather hold them and wait for good offers. This will harm the development of mobile communications in Hong Kong.

Alternatively if it is the Government's wish to obtain additional revenue, it may be fairer to all parties that we re-introduce the per subscriber license fee. Whoever uses the spectrum will have to pay.

Should the Government really insist on auctioning the 3G spectrum, we would suggest that the existing operators will have to pay the average auctioned price for each of the MHz currently occupied by them.

## **5. REGULATORY ISSUES**

The existing regulatory framework for 2G may in future limit the introduction of innovative services. We do not want to see such innovative services delayed because of regulatory issues. Therefore, we support to adopt a different 3G framework which encourage innovations and competition.

Hong Kong is a free market place, though we may see the short term benefits of imposing compulsory domestic roaming between 2G and 3G, it may harm the industry long term-wise. It will encourage operators having less incentive to improve coverage. We would suggest to leave this to the commercial decisions among the 2G and 3G operators.

The separating of service provision from network operation was first introduced in the UK in 1986 and it was finally proved to be unsuccessful. We appreciate it may be different in the 3G environment whereby we need to encourage the development of innovative services not only by the licensed 3G operators but also by any service providers. We suggest that the issue should again be left to commercial decisions. TA should encourage and enable service provision but not to make it compulsory. The introduction of MNP last year proved to be successful and was well supported by the consumers. We do not see any reason not to make it mandatory in the 3G licensing conditions.

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