



Peoples Phone Submission to the TA's Licensing Framework for Third Generation Mobile Services

Introduction:

The following document is the Official Response from Peoples Phone to OFTA's Consultative Paper dated 21st March 2000.

The TA's Consultative Paper:

Clause 2.3: A statement from the TA; China's proposal to base the IMT-2000 radio interface on SCDMA using TDD has been accepted by the ITU.

Response:

The intention of China to pursue the SCDMA standard of air interface could have a dramatic effect on roaming services between Hong Kong and China as this IMT-2000 standard will conflict with the more generally accepted FDD WCDMA standard which other global GSM operators are likely to follow. We can see a conflict in the choice of standards between the one adopted by China and the one adopted by the majority of other GSM operators which will have an impact on the roaming services offered to HK subscribers.

Clause 2.9: The TA intends to adopt an "open policy" with regard to the IMT-2000 standards allowing the operators to choose their own standard. However, the TA does stipulate that the main consideration will be for customers to switch easily from one network to another and to have maximum convenience when roaming.

Response:

Peoples agree with the TA's approach.

The ability of customers to easily switch from one network to another will be determined by the availability of suitably enabled handsets. We believe that from Day 1, there will be Dual Mode handsets capable of handling FDD WCDMA and GSM. Peoples also believe that with the majority of networks being GSM, the optimum choice of IMT-2000 standard will be FDD WCDMA.



Clause 3.4: *The TA has stated that there will be 2 x 60 MHz paired spectrum and 25 to 29 MHz unpaired spectrum available for terrestrial 3G mobile services.*

Response:

Peoples acknowledges the amount of spectrum that the TA will make available for 3G mobile services in Hong Kong.

Clause 3.5: *The TA will consult the industry in the future on the allocation of IMT-2000 expansion bands.*

Response:

Peoples would be pleased to comment or supply views on the allocation of future IMT-2000 expansion frequencies when these become available from the ITU.

Clause 3.8: *The TA intends to open to the existing 2G operators the right to use IMT-2000 standard for 3G mobile services subject to operators satisfying the technical compatibilities and safeguarding the interests of the existing 2G subscribers.*

Response:

Peoples believes that this is the natural evolution path for 2G operators to provide 3G services by fully utilising their existing spectrum. However, the commercial availability of equipment is still very unclear from the major vendors which will also have a knock on effect on mobile terminal availability. The overall effect will mean that existing 2G operators will have to wait a long time before being able to offer 3G services on their 2G spectrum and will have to consider carefully the capacity constraints of their network.

Clause 3.12: *The TA intends to adopt a 3G plan in accordance with the ITU's IMT-2000 allocation.*

Response:

Peoples agrees with the TA's approach to adopt a frequency band plan in compliance with the ITU IMT-2000 recommendations.



The large number of adopters of this recommendation will considerably simplify roaming issues and enable lower equipment prices, as volumes will be higher.

Clause 3.19: *The TA seeks industry views on the amount of spectrum required for new and incumbent operators. The TA is of the view that a new operator will require 15 MHz whilst an incumbent will only require 10 MHz.*

Response:

Peoples is of the view that each 3G operator must have 2 X 15 MHz., frequency allocation.

The implementation of a three layer (macro, micro, pico) will be essential to provide suitable coverage and quality of service. Allocation of less spectrum to incumbent operators will create an unequal playing field and result in customer dissatisfaction.

3G over existing 2G is altogether uncertain at this stage with regards to radio equipment infrastructure and the ability of handsets to perform in such an environment.

3G over 2G spectrum can only be considered as a means of future capacity expansion when a large portion of existing 2G customers has migrated to 3G. This also ensures “that the interest of the existing 2G consumers is adequately safeguarded”.

Clause 3.21: *The TA intends to delay the decision on the allocation of the TDD spectrum until a later date.*

Response:

Peoples is of the view that the 25 MHz. should be made available for TDD allocation even before the compatibility issues between DECT / PHS and 3G are resolved.

The TDD spectrum is especially important for asymmetrical applications that will be a feature of 3G content.

Therefore this TDD portion should be made available at the outset in order for successful operators to plan the network and business roll out. It will also



provide the industry with the full list of 3G players rather than leaving more licenses to be issued at a later stage.

Clause 4.3: *The TA considers that the introduction of new entrants to the 3G market will be beneficial to market development and consumers.*

Response:

Peoples is of the opinion that the current market is saturated with operators offering a wide range of mobile services at highly competitive prices. Peoples feels that the current 2G operators are highly capable and well qualified to efficiently roll out 3G mobile services within the earliest possible time frame and offering highly competitive pricing and services.

However, Peoples also respects the TA's mission to provide the consumers of Hong Kong with the most competitive prices, best in class quality and innovative services and will concur to the TA proposal.

Clause 4.4: *The TA feels that there are benefits in allowing the incumbent operators to bid for a 3G license but they should not receive priority over the new entrants.*

Response:

Peoples is of the view that the license application will determine the suitability of the applicant to operate a 3G network and associated services. The incumbent 6 operators have successfully demonstrated over the years that not only are they fully capable of exploring and implementing new areas of expertise and marketing ideas but can provide truly competitive services. This competitiveness has illustrated that Hong Kong has provided to its population the most attractively priced mobile service compared with the rest of the world.

It is doubtful whether a new entrant could satisfactorily provide the necessary services, competitive prices and roll out capabilities for 3G services that the incumbents have already successfully shown with their 2G licenses.

It is Peoples view also that the TA should take this aspect into careful consideration in safeguarding the interests of the mobile users.



Clause 4.6: *The TA is seeking views from the industry on 4 potential licensing options which provides a range of 4 to 6 licenses.*

Response:

Peoples is of the strong opinion that the TA should adopt Option 1 which provides an equal opportunity for existing mobile operators and new entrants to compete for 4 licenses of 2 x 15 MHz each. We believe that competition will be on a fair basis and that 2 x 15 MHz will be adequate spectrum to provide the necessary high speed 3G services without having to make compromises on service quality.

Clause 4.13: *The TA intends to continue the well-established approach to select 3G operators by evaluation based on merit.*

Response:

Peoples agrees with the TA approach. See Response to Clause 4.14 also.

Clause 4.14: *The TA proposes that the license award is based on merit and not on an auction.*

Response:

Peoples agrees with the TA that the 3G license award should be based on merit and not on an auction to ensure that high costs associated with recent 3G license auctioning are not passed on to the subscribers.

Clause 5.7: *The TA is seeking views from the industry on the regulatory framework for the 3G licenses and whether any additional safeguarding measures should be applied to preserve effective competition.*

Response:

Peoples's preliminary view is that the 3G service may be regulated under similar regulatory framework as that for mobile telephone services at present and should be afforded the same degree of protection under recent Telecommunication Amendment Bill being considered by the Legislative Council particularly with respect to access right and determination of licence fee.



Clause 5.12: *The TA is seeking views on whether to maintain a distinction between the fixed and mobile services and the need to have separate licenses for the FTNS and mobile telephone services.*

Response:

Peoples's view is that FTNS operators and mobile operators should follow the same licensing conditions governing the common issues such as anti-competitive conduct, accounting practice etc. For those matters not common to both FTNS operators and mobile operators, these issues may be dealt with separately under special conditions of the License.

Clause 5.13: *The TA is considering mandatory roaming between new entrants for 3G and the incumbent 2G operators.*

Response:

Peoples is of the view that mandatory roaming from a new entrant 3G network license holder to an incumbent 2G license holders network should not be allowed. Any domestic roaming between a new 3G entrant and an incumbent 2G mobile operator should be on the basis of a mutually agreeable commercial arrangement taking all aspects on service provisioning into account i.e. capacity, customer service, billing etc.

In 1996, the 6 new PCS license holders were not offered mandatory roaming into incumbent GSM 900 networks and had the burden of rolling out their own networks before they could give full geographic access to all their customers.

If 2G operators are required to provide mandatory access for new 3G entrants then 2G operators will suffer the burden, both technically and financially of providing sufficient additional capacity which may normally not have been required and will eventually become superfluous as the 3G new entrant builds out his own network.

Therefore, Peoples feels that new 3G players should be not allowed mandatory access to 2G networks.

Clause 5.14: *The TA seeks the industry views on whether unsuccessful incumbent 2G operators should be allowed to act as service providers for 3G by allowing subscribers to roam on to the 3G networks. Also what would be the technical and commercial implications and operational difficulties of such an arrangement.*



Response:

Peoples believes that mandatory roaming will be a necessity since the available frequency under a 2 X 15 MHz., allocation (refer 3.19) will mean some incumbent operators will not gain a 3G license. This will ultimately affect that operator's ability to survive and develop their business in the Hong Kong market place and to offer their subscribers the benefit of 3G services.

Without the ability to offer 3G services, a high degree of subscriber dissatisfaction will occur resulting in an increased level of churn. Incumbent 2G operators must be given every opportunity to provide 3G services to their subscribers through whatever means available.

Commercial aspects should be resolved amicably between operators but where resolution of commercial issues is being used as blocking mechanism the TA should be allowed the right of determination.

Clause 5.18: The TA is considering the concept of separating service provision from network operation and if it should apply to 3G services.

Response:

Peoples is of the view that this is a different issue from 5.14 and are not supportive of it. Again, 3G network operators will be forced to suffer the technical and financial burden of providing a network with sufficient capacity to cater for large subscribers numbers who are not owned by the operator. They would be at the mercy of resellers who may force down the price of service to the point where it becomes unviable to operate the network from a cost perspective.

Quality of service may then be deteriorated to the level where consumers will be adversely disadvantaged.

Clause 5.19: The TA intends to set out MNP as a mandatory requirement of the forthcoming 3G licenses

Response:

Peoples has no objection to MNP being a mandatory condition of the 3G license.



Clause 5.20: *The TA intends to allocate the leading digit “6” primarily for 3G services.*

Response:

Peoples is aware that the TA has already begun to allocate the leading digit “6” number block to current 2G operators to accommodate immediate needs and that this will continue for 3G services in the future.
