

## **SmarTone Advocates Acceleration of Spectrum Supply for a Vibrant Hong Kong Responses to CA's Second Consultation Paper**

- *A spectrum roadmap with accelerated supply is long overdue for the healthy development of the market and telecommunications industry, also for Hong Kong.*
- *Option 3 - a hybrid approach as proposed by the Government in the Consultation Paper – best serves Hong Kong's interest*

(Hong Kong, May 24, 2017) SmarTone (HKEx stock code: 315) today made its submission to the Communications Authority (CA) regarding the CA's consultation on "Arrangements for the Frequency Spectrum in the 900 MHz and 1800 MHz Bands upon Expiry of the Existing Assignments for Public Mobile Telecommunications Services and the Spectrum Utilisation Fee" ("Consultation Paper").

SmarTone urges the Government to devise a clear spectrum roadmap with faster and more spectrum supply for the healthy development of the market and telecommunications industry, which will benefit Hong Kong's economy as well as consumers. In its submission, SmarTone supports the adoption of Option 3, a hybrid administratively-assigned cum market-based approach as proposed by the Government in the Consultation Paper, as it best serves Hong Kong's interest.

"Accelerated spectrum supply in accordance with a forward-thinking and transparent spectrum roadmap is vital for Hong Kong to catch up in its competitiveness so as to stay Asia's world city in mobile telecommunications development," said Anna Yip, SmarTone's Chief Executive Officer, "We share the Government and the community's aspiration to transform the city into an even more advanced and liveable smart city and look forward to working closely with all parties to bring the industry forward to help drive Hong Kong's economic and societal development."

SmarTone's positions are based primarily on the consideration of maximisation of public interest and consumer's utility, and are backed by international and empirical evidence contained in the reports of GSMA, a coalition of mobile operators worldwide, and Contactica Asia, an independent consultant commissioned to provide international references.

The Contactica report demonstrates that overseas studies, covering the UK, US and Brazil, have shown that a timely supply of spectrum will create substantial economic benefits. It will also bring in other social benefits such as increased employment and the provision of more digital public services.

With reference to the Contactica report, which has identified that spectrum in the 700 MHz and 3.5 GHz bands are already being used or planned to be used in many countries for mobile applications, SmarTone proposes a range of actions to make such spectrum available in Hong Kong too. (Proposed actions listed in Appendix)

In regard to the Consultation Paper, SmarTone agrees with the CA's proposal of adopting the hybrid approach as it best meets the objectives for spectrum assignment: ensuring customer service continuity; efficient spectrum utilisation; promotion of efficient competition and encouragement of investment and promotion of innovative service.

Meanwhile, SmarTone supports the imposition of a spectrum cap and believes that it should be set to prevent over-concentration of spectrum hold by a particular bidder. The Group suggests setting the cap at 80 MHz, instead of 90 MHz as proposed by the CA. According to the "Guideline on the Merger Rule" (the "Merger Guidelines") jointly issued by the Competition Commission and the CA, a market share of 40% or more would give rise to competition concerns. A cap at 80 MHz is equivalent to 40% of the total amount of 900/1800 MHz spectrum up for re-assignment, which is in line with the principles as set out in the Merger Guidelines. CA's proposal of 90 MHz, on the other hand, is equivalent to 45% market share and exceeds the threshold set by the Guidelines.

SmarTone also suggests the CA to follow the best spectrum pricing practice recommended by GSMA to set the reserve price and minimum fee conservatively as "high prices for spectrum depress operators' incentives to invest and compete, resulting in lower quality and higher prices for consumers". Alternative reserve price setting mechanisms include the averaging of two latest auctions (ie 2.5/2.6 GHz and 2.1 GHz) or taking the median reserve price set internationally according to the GSMA Report..

For GSMA report, please download from below link.

<http://www.gsma.com/spectrum/wp-content/uploads/2017/02/Effective-Spectrum-Pricing-Full-Web.pdf>

###

## **APPENDIX**

### **SmarTone's suggested Government actions to accelerate release of spectrum in 700 MHz and 3.5 GHz**

- For 700 MHz
  - Advance HK's analogue switch off plan in harmonization with Guangdong's plan
  - Introduce policy to speed up migration of analogue TV to digital TV
- For 3.5 GHz
  - Plan for migration of satellite services to other band (e.g., Ku band)
  - Identify the part of spectrum in the band that could be immediately released for mobile use