

New licences for existing 2G mobile services to be granted

Holders of the nine incumbent GSM and PCS licences providing second-generation mobile services will be given new Mobile Carrier Licences for a period of 15 years to continue their mobile telecommunication services.

No new licence will be granted to the existing two licensees operating the CDMA and TDMA networks because the assigned spectrum has not been used efficiently. The licensees, however, may continue to operate the services for three more years, with one-third of the originally assigned spectrum, to facilitate customers migration.

The Government will also launch a spectrum policy review in 2005. Before the review and the subsequent legislative and administrative arrangements are completed, the spectrum vacated by the CDMA licence will not be released for any new mobile licence.

Announcing the decisions today (November 29), the Director General of Telecommunications, Mr M H Au, said that radio spectrum was a scarce and valuable public resource and the Government had the responsibility to ensure its efficient utilization.

He said, "For the GSM and PCS licensees, the Government considers that they have made efficient use of the radio spectrum assigned to them in the past years and provided satisfactory service with continuous investments and improvements. In order to provide a stable investment environment and ensure continuity of service to their subscribers, the licensees will be offered new mobile carrier licences with a validity period of 15 years."

For the CDMA and TDMA networks, Mr Au pointed out that the number of subscribers had declined very substantially over the past few years, to 25,687 and 30,590 subscribers respectively, compared to some one million subscribers for a typical PCS network.

He said, "It is evident that these two networks have not been making efficient use of the assigned spectrum. In addition, the technologies being deployed by both networks are becoming obsolete.

We do not consider it in the public interest to give these licensees new mobile carrier licences for 15 years, as extending the tenure of their use of spectrum will be at the expense of the opportunity of using the same spectrum by services that can generate higher economic benefits to the community."

To safeguard the interest of existing subscribers to these two networks, the Government decided that the licensees of these two networks would be given a period of three years upon the expiry of their existing licences so that they could gradually migrate their customers to other networks. Taking into account the existing and anticipated traffic on those networks, less spectrum would be assigned for this migration period.

The Permanent Secretary for Commerce, Industry and Technology (Communications and Technology), Mr Francis Ho, elaborated on the Government decision to conduct a spectrum review in 2005.

He said that the current spectrum policy was first developed in the 1970's and was largely based on an administrative system for allocation and assignment of radio spectrum. The policy has served Hong Kong well for the past three decades.

"Given the rapid pace of advancement in technology development and deployment, we consider that a fundamental review of the policy for allocation and assignment of radio spectrum is warranted.

The objective of the review is to formulate a responsive, transparent and market-led spectrum policy to enable the community to reap the maximum benefit from the deployment of this scarce public resource as technology advances.

"After the completion of the review and the consequential legislative and regulatory arrangements, the Government may, taking into account the outcome of the review, initiate the

necessary arrangements for allocating the spectrum vacated by the CDMA system in 800 MHz band for new licences," Mr Ho said.

The GSM and PCS licensees will be required to pay spectrum utilization fee for the new licences, which is set in broad consistency with that for the 3G licensees. For the first five years of the new licence, a fee of \$145,000 per MHz of spectrum per year will be charged. From the sixth licence year onwards, the fee will be set at 5 per cent royalty over the annual network turnover of the licensee, subject to a minimum fee of \$1.45 million per MHz of spectrum per year.

There are 11 licences for second-generation mobile services, which will expire between July 2005 and September 2006. The Office of the Telecommunications Authority had launched two rounds of public consultation exercises, in August 2003 and March 2004, on the licensing arrangements for mobile services upon the expiry of those licences.

Ends/Monday, November 29, 2004

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