



Submission by

**Metro Broadcast Corporation Limited
On the
Consultation Paper on Proposed Spectrum Policy Framework**

Metro Broadcast Corporation Limited ('Metro Broadcast') welcomes the opportunity to participate in the Government's proposed Spectrum Policy Framework consultation.

Metro Broadcast sees that the proposed spectrum policy objectives and guiding principle in spectrum management set out in the consultation paper are generic in nature and attract theoretically universal application. In paragraph 6, "the consultation paper proposes that the spectrum policy framework should set out a guiding principle that the TA should use market-based approach in spectrum management when there are competing commercial demands, unless there are overriding public policy reasons to do otherwise, which should be published for transparency to the industry". It is, however, unclear as to the definition and scope of such "overriding public policy reasons" that would alter or replace the market-based approach. Would the issue of social necessity be sufficient to alter or replace the market-based approach or are there any other good reasons? This is a question we would urge the Government to address in greater details.

Furthermore, upon a policy change to the market-based approach, all spectrum assignees in Hong Kong will then belong to a legacy regime. However, the market itself is not going to change overnight hence the effectiveness of a market-based approach for spectrum management in Hong Kong is yet to be assessed. In our opinion, a regulatory approach based upon empirical evidence would be more appropriate for public good.

In particular, Metro Broadcast has reservation over the blanket use of auction in future spectrum assignment. Indeed, the market-based approach in spectrum management in the context of competing spectrum demands, which is readily translated into auctions for spectrum, is widely adopted in many other economies. However, in the fast evolving digital age, technological evolution automatically leads to replacement

of obsolescent technologies by the newer, more advanced technologies. The migration of terrestrial television from analogue to digital broadcasting is a good example. Sound broadcasting is facing the same issue of digitisation. We would like to urge the Government to consider, in circumstances where substantial public interest and social needs prevail, granting priority to existing spectrum assignees to use new spectrum to continue service delivery with new technologies.

On a side note, Metro Broadcast is of the view that separate spectrum should be reserved and allocated for digital sound broadcasting in the future spectrum plan. Radio service for the community at large is a social necessity. Going forward, digital sound broadcasting, in our opinion, should be handled as an individual matter rather than tagging on to other topics such as mobile TV. As a sound broadcaster with long-standing commitment and investment in the operation of a radio station, we urge the Government to include in its policy more consideration on the growth of the sound broadcasting industry.

With respect to the introduction of spectrum utilisation fee ('SUF') across all spectrum uses irrespective of whether there is competing commercial demand for the spectrum, Metro Broadcast would urge the Government to review and assess the proposal carefully. The terrestrial broadcasters do not charge the public for their service. Any income generated from the spectrum use that is advertising revenue has already been compensated by payment of the annual licence fee. The imposition of SUF for spectrum use of such nature therefore is redundant under the "fair compensation for the Community" proposal laid down in paragraphs 26 – 27 in the consultation paper.

We appreciate Governments' consideration of our views in the implementation of the proposed Spectrum Policy Framework.

February 2007