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Legislative Council Building
8 Jackson Road
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Dear Sir/Madam

Public consultation on proposed spectrum policy framework

We welcome the government initiative to conduct the present spectrum policy review with the public and the industry.

We would like to take this opportunity to address the importance of completing the present spectrum policy review before undertaking any further licensing of mobile services. The reasons are as follows:

Firstly, the objective of the spectrum policy review is to formulate a comprehensive policy that enables the community to reap maximum benefits from the deployment of spectrum. The genesis of this important policy review is the promise made by the government in 2004. At that time, when the government concluded its 2G licence renewal exercise, it had promised to conduct and complete a spectrum policy review before undertaking any future licensing of mobile services.

Secondly, the subject matter under consideration is the allocation of an important public resource, that is, a finite public resource called spectrum. The issues involved are complicated. As stated in the consultation document, the government proposed to review the applicable spectrum policy objectives, guiding principles in spectrum management, spectrum rights, spectrum supply (including spectrum trading and liberalization), spectrum for government services and spectrum pricing. Public interest would be best served if each of these important aspects of the policy has been carefully considered and debated under a proper process of consultation. Only after the overall policies have been decided and announced should the government consult with the public and the industry as to the licensing of any specific mobile services.

We are concerned that the above logical process of "Policy First, then Licensing" is already upset by the government move to separately conduct many other mobile licensing proposals, such as, CDMA 2000 service in the frequency band of 850MHz band and Broadband Wireless Access service in the frequency band of 3.4GHz – 3.6GHz (or an alternate frequency band).



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To take the case of the proposed CDMA 2000 licensing as an example, the public consultation period has already ended. Its consultation paper had not referred to any formal spectrum policy or overall frequency allocation plan. There is a real risk that this uncoordinated approach will not make the most efficient use of the available spectrum resources in Hong Kong.

If the market is fragmented by different technologies and development standards, the industry would not achieve economies of scale and this would only operate to the detriment of consumers. As spectrum is finite public resource, its optimal use would depend on whether the operators could develop a critical mass to utilize the frequency band with economies of scale. Only with economies of scale can consumers be benefited.


According to the report prepared by the government's own consultant back in 2004, the prospect of a CDMA 2000 service becoming a major mobile service is not clear. The proposal by the government to put a substantial amount of the 800MHz frequency band, namely, 2x10 MHz, for the proposed service, not backed up by a cost and benefit analysis or an updated market study, is a highly questionable proposal in terms of realizing the full economic potential for this particular frequency band. If the government unduly put the spectrum for auction without considering the actual market conditions, the price that it can realize may not live up to their real economic value. This will only hurt the public purse.

We believe in competition. However, in order that competition can work for the benefits of consumers in a small economy like Hong Kong, it must be healthy competition where the respective operator involved has the potential to achieve economies of scale. As recognized by both the government and the public, competition merely in terms of pricing would never serve long-term consumer interest. What is fundamental and most important is healthy competition on an all-rounded basis, including that on service quality and innovation. The operators can only compete on this healthy basis only when their operations enjoyed economies of scale.

The government therefore cannot avoid the responsibility to first complete the on-going spectrum policy review. After the completion of the review, the government should then conduct an in-depth study and a cost and benefit analysis to determine the best use of the applicable frequency bands as finite public resource.

Yours faithfully,

For and on behalf of
Hutchison Telephone Company Limited


Oswald Kwok
Director of Legal & Regulatory