

**Legislative Council Panel on Information Technology and
Broadcasting**

Special Meeting on Wednesday 18 July 2007

Release of Spectrum for Broadband Wireless Access Services



1. The deadline for submission of comments on OFTA's consultation paper on BWA has just ended today (18 July 2007). PCCW would like to highlight two of the points made in its submission.

PCCW's Interest in BWA Spectrum

2. To be clear, as PCCW may be bidding for BWA spectrum, it supports the availability of new spectrum in an orderly and transparent basis. PCCW's comments are therefore aimed at achieving this result.

Timing for Release of Spectrum & Licensing

3. OFTA has identified two spectrum bands may be used for BWA services (2.3 GHz and 2.5 GHz). Only the 2.3 GHz band is clearly available and this band could conceivably be auctioned in the 1st half of 2008, with territory-wide service roll out by say 2010.

4. As to the 2.5 GHz band, OFTA would apparently like to await the decision of the World Radiocommunication Conference later on in the year (October 2007) regarding the use of this band. Assuming the use of the 2.5 GHz band for BWA services being accepted at the Conference, which is quite likely, spectrum in this band could also be auctioned off in the 1st half of 2008, although perhaps later than the 2.3 GHz band.

5. It appears that OFTA anticipates two separate auctions: one for the 2.3 GHz band and another for the 2.5 GHz band. To some degree, this

may be based on the view that Hong Kong is lagging behind on the roll out of BWA services, and hence the need to catch up. PCCW believes that one comprehensive auction would be preferable to a piecemeal approach. We hold that view for several reasons.

6. First, there is a lot to be said for waiting a few months more until a decision is made on the 2.5 GHz band before releasing spectrum in both the 2.3 GHz and the 2.5 GHz band for BWA services. In fact, this is precisely the approach taken by the regulator in New Zealand where the auction of spectrum in the 2.3 GHz band for WiMAX services has now been pushed back until the end of this year so that the spectrum can be offered alongside frequencies in the 2.5 GHz range.

7. Experience in some countries suggests that it may be too early to introduce BWA services. The technology is still developing and equipment availability is still limited. For instance, in South Korea, despite the licensing of BWA services two years ago in 2005, customer uptake is still very low. One of the three licensees even decided to pull out of the BWA market because it considered there was no clearly viable commercial proposition.

8. Experts are predicting that suitable devices for BWA will not become available until at least a year from now. In fact, the Singapore regulator permitted an extra long roll out period of 36 months for operators using the 2.3 GHz band because it recognized the difficulty in securing suitable equipment. And this is certainly part of PCCW's own BWA experience in the UK.

9. Thus we do need not see Hong Kong as lagging or needing to rush.

10. Second, if just the 2.3GHz spectrum were to be released for BWA services first, this may not be sufficient to cater for the demand from potential BWA service providers wishing to bid for the spectrum. The 2.3 GHz band is not particularly large. This may artificially create too high a bid price, while a second auction may artificially create too low a bid price, which is hardly conducive to the establishment of a transparent and level playing field for BWA services.

11. Third, a bidder in a two auction scheme will not know for sure if additional spectrum will become available or if it will become available under what rules and conditions. This is a regulatory risk that can be avoided by just having one auction.

12. Fourth, the public purse would likely be maximized by one comprehensive auction.

13. Fifth, PCCW is mindful of the lessons learnt from the way 3G mobile services were introduced into Hong Kong, i.e. adopting a single spectrum auction approach and no need to rush.

14. Thus, while PCCW fully supports the introduction of BWA services, it would like to urge the TA to modestly reconsider its timetable for the release of spectrum and licensing for BWA services in order to employ a single auction approach, which will ensure that the auction process is wholly transparent, fair and successful.

15. *Market Driven Approach*

PCCW would also like to comment on the general approach which the TA proposes to take in the spectrum allocation and licensing for BWA services. The TA has always supported a market driven approach to regulation. PCCW agrees that a market-driven solution to the

spectrum and licensing related issues raised in the consultation paper should be adopted. This includes, amongst others, letting the market decide how much spectrum may be acquired by each operator, rather than to artificially limit it.

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