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(English version only)

To: Clerk to Panel on Information Technology and Broadcasting

Legislative Council Secretariat

Legislative Council Complex

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Impact of 3G Spectrum Re-auction

The Hong Kong Institution of Engineers IT Division is concerned on any government policy that may affect the welfare of IT engineers and professionals of Hong Kong.

While the Government has not decided whether to (1) renew 3G spectrum, (2) total re-auction of 3G spectrum, or (3) partial re-auction of 3G spectrum, the Government in its second consultation has said it prefers the **partial re-auction** of the 3G spectrum. Existing operators have said that this will only increase costs because new entrants are not buying new spectrum (like 4G) but existing spectrum that is already fully utilized. This is similar to a situation where the landlord (Government) is moving the existing 100 tenants (consumers) in a crowded house (3G spectrum) and squeezing them into 2/3rd of the house. At the same time, the landlord (Government) is putting up 1/3rd of the house for leasing (Re-auction). So far, the only operator that has expressed an interest in the spectrum is **China Mobile** which already has more spectrums than half the other operators in the market.

More and more consumers are now using 3G/4G services. With 3G/4G customers growing to 9.4 million in 2012 from 5.25 million in 2010, each customer has been using more data too (from an average 295.6 Mbytes in 2010 to 761.9 Mbytes in 2012). There is an increasing **congestion** when using the internet especially in places with lots of people.

The Government's proposal to re-auction 1/3rd of the spectrum of an existing spectrum (3G) will affect current consumers and decrease their existing speed. The Government should be looking at ways of increasing capacity and service quality. Operators have warned of **service degradation**. The Government should **guarantee** that service quality will not be depreciated. The Government has said that the existing operators will have three (3) years to invest and get ready for their networks. How to **guarantee** that the operators will upgrade their networks so as to **maintain the same quality** as right now?

If the Government re-auctions the spectrum and a competitor (either an overseas competitor or an existing operator) uses a high price to take over the spectrum from other operators, this

action will certainly create cost impact on all the operators and finally on all consumers. Can the government guarantee that service fees will not increase for consumers because of increased spectrum fees?

Newspaper reports speculate that overseas operators are interested in increasing their market shares in Hong Kong. Overseas operators with significant IT workforces can **outsource** many IT and backend works to their overseas teams. The jobs of Hong Kong IT engineers and professionals will be taken away. The effect will be similar to importing labors from overseas except that once it starts, there is no way to prevent and/or stop our IT engineers and professionals from losing their jobs.

It is our view that the best solution is to renew the licenses at reasonable fees with the existing operators. This can prevent the degradation of our telecommunication quality, increase of service fees to consumers and our engineers and IT professionals from losing their jobs.

Yours sincerely,



Ir Dr C M Ng
Chairman (2012 – 2103 session)
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