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14 June 2013

Ms YUE Tin-Po
Clerk, Panel on
Information Technology and Broadcasting
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Ms Yue,

Approach in Re-assigning the Spectrum in the 1.9 – 2.2 GHz Band

Thank you for your letter of 29 May 2013 to the Secretary for Commerce and Economic Development. As requested, set out below is the information on the consultancy study commissioned by the Administration in relation to the impacts on service quality and customers of adopting a hybrid option in re-assigning the spectrum in the 1.9-2.2 GHz band (the “Study”) as requested in Hon Charles Peter Mok’s letter to the Chairman of the Information Technology and Broadcasting Panel (the “Panel”) of 26 April 2013.

By way of background, the Administration has set out in the Second Consultation Paper on the subject matter issued at end December 2012 a list of objectives in spectrum re-assignment, viz. customer service continuity and quality, efficient spectrum utilisation, promotion of effective competition, encouragement of investment and promotion of innovative service. As clearly explained in the Second Consultation

Paper, its focus is on the arrangement for spectrum re-assignment which would best meet these multiple objectives and in accordance with the Radio Spectrum Policy Framework promulgated by the Administration.

Following the issue of the Second Consultation Paper, various interested parties have submitted their views to the Administration, with a number of them including the incumbent 3G operators zeroing in on a single objective in spectrum re-assignment, viz. the impact on service quality and customers if the proposed hybrid re-assignment option is adopted in expressing their concerns. In light of the views expressed, the Administration decided to appoint an independent consultant to provide an objective quantitative assessment on the impact. The decision was taken before the public hearing conducted by the Panel on 27 March 2013. The related preparation work to kick start the appointment procedure also commenced before then. Details of the appointment procedure and the updated position on the Study are as follows.

Following rules and regulations stipulated by the Administration for procurement of consultancy service, the Office of the Communications Authority (“OFCA”) on behalf of the Administration issued to 10 shortlisted consultants the consultancy brief (which is available in English only and a copy of which is enclosed in the Annex) on 14 March 2013 to invite submission of proposals. These shortlisted consultants were drawn from the list of consultants that have been commissioned by OFCA before as well as the list of consultants registered with OFCA¹, taking into account the relevancy of their areas of expertise and previous consultancy projects. The consultancy brief clearly sets out the scope of the Study, the specific tasks and the deliverables required, the timeline of the Study, the assessment criteria of consultancy proposals as well as other relevant terms and conditions. The deadline for submission of proposals was set for 2 April 2013.

Having carefully evaluated the proposals received in accordance with the assessment criteria, OFCA appointed Network Strategies Limited (the “Consultant”) on 6 May 2013 to undertake the Study. The project fee of the Study is HK\$1.4 million and would be paid out of the OFCA Trading Fund.

¹ The full list of the registered consultants with expertise in regulation, finance, economics and competition is available at:
http://www.ofca.gov.hk/en/tender_notices/registration/expertise1/index.html.

The mobile network operators (“MNOs”) were immediately notified of the appointment of the Consultant on 6 May 2013. They were each given a set of the consultancy brief on the same day. To benefit from the views and inputs from the MNOs, the Consultant conducted interviews with them on 14-16 May 2013. The Consultant has also invited the MNOs to provide a list of data relevant to the Study. In early June 2013, the Consultant met OFCA and the MNOs to give an overview of the assessment model. The Consultant will be meeting with OFCA and the MNOs sometime towards the end of June 2013 to present the preliminary assessment results of the Study.

In response to the request from the incumbent 3G MNOs, OFCA has detailed in its letter of 21 May 2013 to the MNOs the progress of the Study including the steps OFCA has taken leading to the appointment of the Consultant and the invitation for MNOs’ participation in the Study at various stages. OFCA, in its letter of 29 May 2013, once again invited the MNOs to participate in the Study by providing their views and comments to the Consultant. The two said letters were also copied to the Panel Members for information.

We trust that this letter with the enclosed consultancy brief as well as OFCA’s two letters of 21 and 29 May 2013 have provided the information of the Study as requested by Hon Charles Peter Mok in his letter of 26 April 2013.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Nick Choi', written in a cursive style.

(Nick Choi)

for Secretary for Commerce and Economic Development

c.c. Hon WONG Yuk-man (Panel Chairman)