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**Attention:**

Mr Chaucer Leung  
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and Mail

**Copy:**

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Fax: 2110 1056

Mr Ambrose Ho  
Chairman, Communications  
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Fax: 2507 2219

Ms Yue Tin-po  
Chief Council Secretary, Legislative  
Council Panel on Information  
Technology and Broadcasting  
[For distribution to all Members of  
the Panel]  
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8 August, 2013

Dear Chaucer,

**Consultancy study in relation to the impacts on service quality and customers of adopting a hybrid between administratively-assigned and market-based approach in re-assigning the spectrum in the 1.9 – 2.2 GHz Band ("3G Spectrum")**

We refer to your letter of 26 July 2013 which seeks to address matters which we raised in our letters dated 28 May 2013 and 7 June 2013.

There are several matters raised in your letter on which we would like to comment.

*Criteria for selection of spectrum re-assignment option*

As set out in the CEDB's letter dated 10 July 2013 and reiterated in your letter, the Government is seeking to defend its position by reliance on multi-policy objectives when deciding on how to deal with the re-assignment of the 3G Spectrum.

According to your letter, the Government will holistically evaluate the hybrid option (Option 3) against its policy objectives and choose the re-assignment arrangement that best meets these objectives, taking into account the Radio Spectrum Policy Framework issued by the CEDB in April 2007 ("SPF"). Of course, simply assessing the chosen option against a set of policy objectives is insufficient; it must be accompanied by an evaluation against other options.

Indeed, we would challenge the Government to explain in detail, using a full cost benefit analysis, how Option 3 is, in overall terms, incrementally better than Option 1. However, it appears that you have ruled out any such analysis.

### *Consideration of costs*

We note your comment that costs are not to be considered as part of the assessment exercise. If this is the case, how can the appraisal required under the SPF be complete if all costs and benefits of each option are not fully taken into account?

We reject the assertion that costs associated with each option are irrelevant to the Government's consideration when deciding how to re-assign the 3G Spectrum (and that costs are purely a matter to be considered by the MNOs when making their commercial decisions). This is especially so when costs have a significant impact on investment and service innovation – two of the policy objectives the Government is using to assess the suitability of each option – as well as on overall service quality. Given the regulatory consequences of interruptions in service, to stop investing is simply not an option. It is therefore misleading to suggest that operators incur costs solely based on commercial considerations.

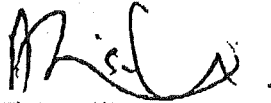
### *Results of the Network Strategies ("NS") study*

As you stated in your letter, we provided NS with the data of their selection and pursuant to their requests to facilitate the conduct of their study. We pointed out in our letter of 28 May 2013 that the data requested was limited and did not distinguish or focus on which cell sites would be particularly susceptible to the effects of loss of spectrum. NS has presented to us, individually, the preliminary assessment results and we were asked to provide supplementary data and comments. During this process, it was discovered that NS had misinterpreted some of the data which we had individually provided to them for input into their model, resulting in incorrect results. While we have now provided NS with the required clarifications, submitted additional data and requested that their model be re-run so that the final results can be shared with us, so far, we have not received any response. This last step is crucial in order to ensure that our data has been correctly used within the model. If not, the results will be both unverified and flawed. It is also a further proof that the study is not being conducted on a transparent basis. We hereby request that OFCA require NS to release the final results to us to ensure that our clarifications and supplementary data have been correctly incorporated into the model. However, this would still not address the concerns previously expressed about the limited data which has been sought from the operators for a proper study to be carried out.

In addition, we note that the NS study will be completed around mid-August 2013. Should this be the case then we see no reason why the model results cannot be shared with us, the Members of the Legislative Council Panel on Information Technology and Broadcasting and the public together with the complete study report and further consultation carried out before the Government makes its decision. We can see how this would be difficult to

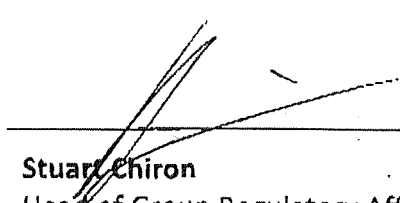
achieve by the pre-selected date of October 2013, but we have previously explained to you why we believe that date should, and can, be extended.

Yours sincerely,



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**Alison Ko**  
General Counsel  
Legal and Regulatory Affairs  
CSL Limited

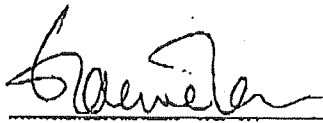


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