

# Legislative Council Panel on Information Technology and Broadcasting

**Public Consultation on  
Spectrum Utilization Fee for  
Spectrum Assigned Administratively**

10 Dec 2010

## Radio Spectrum Policy Framework (April 2007)

- Spectrum policy: facilitate economically, socially and technically efficient use of spectrum
  
- Level of SUF on non-Government use of spectrum :
  - Set by **auction or other market means** (e.g. 3G services, mobile TV) or
  - Set to reflect **opportunity cost**

## Studying SUF for Spectrum Assigned Administratively

- Included in the Chief Executive's Policy Agenda 2009-10 and 2010-11
- Consultant commissioned to
  - develop a generic system for setting SUF for non-Government uses of administratively assigned spectrum, and
  - give advice on implementation issues
- Consultancy report published on OFTA's web site for public information

## The Scheme for Consultation

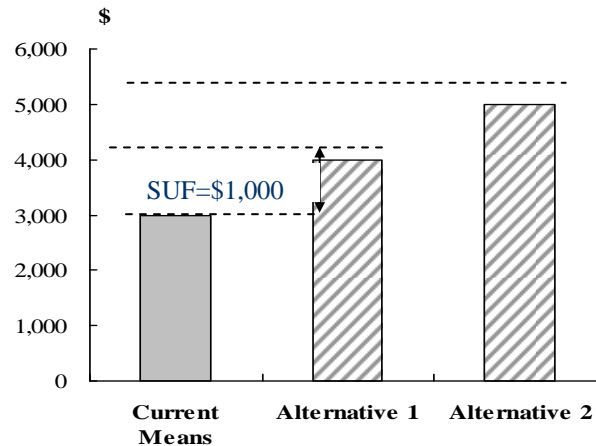
- Principles for setting SUF for administratively assigned spectrum:
  - Frequency bands proposed to be subject to SUF
  - Proposed level of SUF
- Implementation arrangements

# Deciding the Bands subject to SUF

- SUF to apply to users of spectrum in bands that are congested and will become more congested
  - Over 75% occupancy at present; and
  - Demand will grow over time
- Exceptions
  - Use of spectrum with significant public interests (e.g. terrestrial broadcasting services, mobile coverage in country parks)
  - Spectrum under temporary assignment
  - Use of spectrum under a “commons approach”  
(It refers to frequencies designated as a common resource which can be accessed by anyone subject to certain rules, and rely on users of a spectrum to come up with their own solutions to resolve potential interference problem, e.g. WiFi )

# Setting the level of SUF

- SUF to be based on **Opportunity Cost**
  - Least Cost Alternative approach
    - To find out the costs of alternative means for providing the same service
    - SUF is set as the difference between existing cost and the cost of the lowest priced alternative



# Frequency Bands Affected

- Fixed links:
  - 6440 - 7100 MHz
  - 7421 - 7900 MHz
  - 7900 - 8000 MHz
  - 8275 - 8500 MHz
  - 10700 -11700 MHz
- Electronic News Gathering/Outside Broadcast (ENG/OB) links:
  - 2055 - 2095 MHz
  - 2200 - 2290 MHz
- Satellite links:
  - 5875 - 6425 MHz
  - 6425 - 7075 MHz

# Implementation Issues (1)

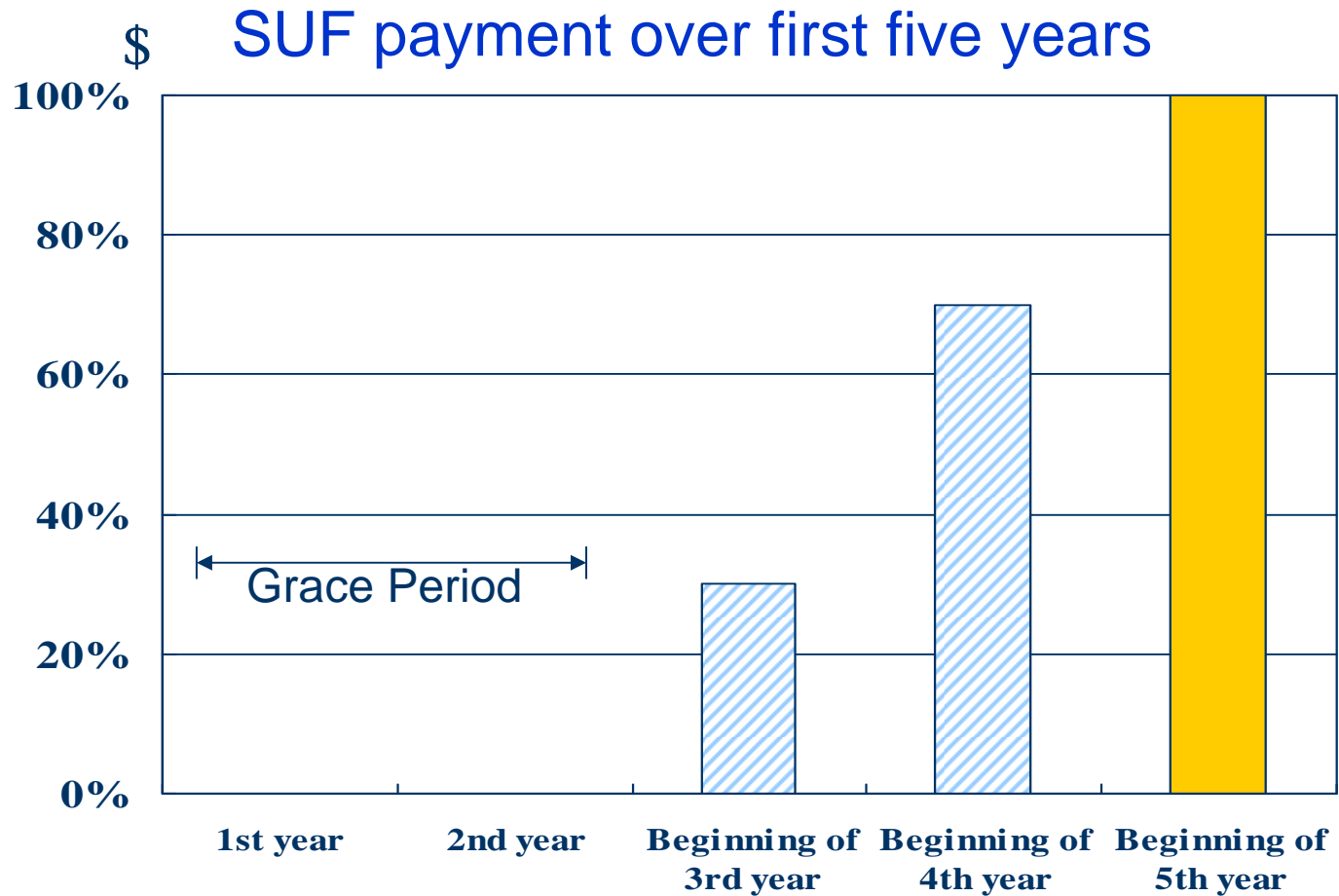
- Congestion and SUF levels be reviewed every five years
  - Variations in congestion level over short term do not warrant policy change
  - Time required to undertake pricing review
- SUF to be paid annually
  - One-off charge lacks on-going incentives for efficient use of spectrum
  - Minimize impact on cash flow of spectrum users



## Implementation Issues (2)

- Transitional Arrangement - Phased approach
  - Allow time for spectrum users to review spectrum usage
  - A two-year grace period during which no SUF is imposed
  - Followed by a three-year phased-in approach
    - 30% of the full SUF imposed at the beginning of third year
    - 70% in the fourth year
    - Full SUF in the fifth year and beyond

# Implementation Issues (3)



## Implementation Issues (4)

- Incentive scheme
  - A one-off grant serving to
    - Provide financial incentive for early return of spectrum
    - Subsidize increase in costs incurred by users in migrating to alternative means
  - Amount of grant based on actual expenditure of users on migrating to alternative means, capped by 10% of the annual SUF concerned
  - Offered only to users who return spectrum within the two-year grace period

## Who will benefit?

- **Potential spectrum users**
  - SUF serves as price signal to encourage spectrum users to review their spectrum requirements from time to time
  - To avoid SUF, spectrum users are expected to make more efficient use of spectrum and return excessive spectrum to OFTA for re-assignment to potential users
- **Community as a whole**
  - Promote the use of innovative and spectrum-efficient technologies

## Impact on Industry

- Our aim is to promote spectrum efficiency. We do not seek to raise revenue
- Users affected include mainly:
  - Telecommunications carrier licensees
  - Television broadcasters
  - Utility companies
  - Satellite uplink operators
- Total estimated SUF payment : around \$10M/annum (to be received in full amount in Year Five, by the General Revenue)
  - Fixed links      around \$7 million
  - ENG/OB links   around \$2 million
  - Satellite links   around \$1 million

## Impact on Consumers

- Fully payable annual SUF amount is around \$10 million , payable by 24 users, and the amount of which constitutes only a small portion of the operating expenditure of the concerned companies
- We believe that the concerned users are not likely to pass on the SUF to consumers in full
- Even if all the concerned users pass on the SUF cost in full to end consumers, the impact on them should be minimal

## Way Forward

- Consultation paper released on 26 November 2010
- Views and comments by 25 February 2011
- The Administration will carefully consider submissions received in deciding on our way forward

# Thank You