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## **Hutchison Telephone Company Limited**

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**Response to the Consultation Paper on “Arrangements for the Frequency Spectrum in the 2.5 GHz and 2.6 GHz Bands upon Expiry of the Existing Assignments for Public Mobile Telecommunications Services and the Spectrum Utilisation Fee”**

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**Date: 31 October 2024**





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## I. Executive Summary

1. Hutchison Telephone Company Limited (“**Hutchison**”) makes this submission in response to the consultation paper entitled “Arrangements for Assignment of the Spectrum in the 2.5/2.6 GHz Bands for the Provision of Public Mobile Services and the Related Spectrum Utilisation Fee” (the “**Consultation Paper**”) jointly issued by the Communications Authority (the “**CA**”) and the Secretary for Commerce and Economic Development (the “**SCED**”) on 19 September 2024.
2. Hutchison welcomes the Government<sup>1</sup>’s re-assignment of a total of 50 MHz of spectrum in the frequency range of 2515 – 2540 MHz (the “**2.5 GHz Band**”) paired with 2635 – 2660 MHz (the “**2.6 GHz Band**”) (hereafter “**Available Spectrum**”), for the provision of public mobile services including 5G services in Hong Kong.
3. Part II of this submission contains our answers to the specific questions raised in the Consultation Paper.

## II. Response to the Specific Questions in the Consultation Paper

Question 1: Do you agree with the use of a market-based approach by way of auction for re-assignment of the Available Spectrum pursuant to the Spectrum Policy Framework?

4. Given that the competing demands for the Available Spectrum, Hutchison considers that the use of a market-based approach by way of auction for re-assignment of the Available Spectrum pursuant to the Spectrum Policy Framework is acceptable.

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<sup>1</sup> The CA and the SCED are collectively referred to as “the **Government**” in this paper.



Question 2: Do you have any views on the proposal that the Available Spectrum be divided into five paired frequency blocks with a bandwidth of 2 x 5 MHz each?

5. Hutchison has no adverse comments on the CA's proposal of dividing the Available Spectrum into five paired frequency blocks of 2 x 5 MHz each, be the minimum allowable channel bandwidth for both FDD-LTE and NR FDD as specified by 3GPP.
6. We believe that it is an appropriate arrangement to avoid MNOs investing unnecessary lengthy time or enormous resources to change the mode of operation for 4G from FDD to TDD. It is agreed that dividing the Available Spectrum into five paired frequency blocks of 2 x 5 MHz each can be more flexibly equip the successful bidders to reform the spectrum for the provision of 5G services in terms of technical and commercial aspects.

Question 3: Do you have any views on the proposed spectrum cap of 2 x 10 MHz to be imposed on each bidder for the re-assignment of the Available Spectrum?

7. Hutchison agrees that imposing a spectrum cap of 2 x 10 MHz on each bidder for the purpose of prevent over-concentration of spectrum holding in the hands of any individual market player can maintain a level playing field, multi-players environment and healthy competitions in the Hong Kong telecommunications market.

Question 4: Do you have any views on re-assigning the Available Spectrum by allowing all interested parties to apply for participation in the auction, subject to the minimum qualification requirements and the connected bidder restriction?

8. Hutchison is of the view that setting minimum qualification requirements, such as (i) lodging a specified amount of deposit and (ii) demonstration of technical and financial capability to provide service for interested parties who have intention to join the auction, can provide an assurance that the potential successful bidders have the financial and technical capability and resources to complete the network performance requirements and to provide satisfactory telecommunication services to users as required.



**Question 5:** Do you have any views on the adoption of the SMRA auction format for the re-assignment of the Available Spectrum?

9. We have no adverse comments on the adoption of the SMRA auction format for the re-assignment of the Available Spectrum. It is believed that there is no other more effective way at this moment, apart from SMRA, can enable bidders to bid for their specific preferred frequency blocks of choice, even though this does not lead to a perfect pricing environment, it is quite close if bidders consistently bid the minimum bid increment in each round if the reserve price is reasonable.

**Question 6:** Do you agree with the proposed arrangements for the alignment of the expiry date of the existing assignments of the Available Spectrum and the payment of SUF for the extended period of assignment of the frequency block A5?

10. Hutchison has no adverse comment on (i) the alignment of the expiry date of the existing assignments of Available Spectrum and (ii) the payment of SUF of the extended period of assignment of frequency block A5 to be made by the related MNO.

**Question 7:** What are your views on the proposed arrangements to shorten the new assignment term of the Available Spectrum to about ten years and ten months from 1 June 2028 to 30 March 2039?

11. We support the proposed arrangements of the CA to shorten the new assignment terms of the Available Spectrum from 15 years to ten years and ten months, for the reason that adopting the standard assignment period of 15 years for the Available Spectrum would (i) continue the different expiry dates of the Available Spectrum and the Remaining Spectrum, fragmenting blocks and (ii) perpetuate the issue of non-contiguous assignments in the 2.5/2.6 GHz Band.
12. Indeed, shorten the assignment period of the Available Spectrum to align the expiry date of the assignment term of the Remaining Spectrum on 30 March 2024 will be the most efficient way to enable a total of 140 MHz of contiguous spectrum in the entire 2.5/2.6 GHz Band to be available for reassignment upon the same expiry date and facilitate the industry to plan the future operation of FDD or TDD.



**Question 8:** Do you have any views on the proposed licensing arrangements as specified in paragraphs 31 – 38 above?

### **Frequency Transfer**

13. Hutchison has no adverse comments on CA's restriction of connected bidders that HKT and GBL may not be possible to participate in the forthcoming auction at the same time, for maintaining a fair and competitive market.
14. However, in respect of the transfer of the re-assignment of the Available Spectrum, Hutchison expects that clear guidelines, simple procedures and sufficient time will be given to HKT, GBL and/or Hutchison to submit the related documents for the joint application and CA's approval will be obtained by us in due course if we have followed the application requirements.

### **Technology Neutrality**

15. It is agreed that a technology neutral approach should be adopted by the CA. Though, Hutchison suggests that the technology should be based on FDD mode of operation stipulated in the relevant 3GPP standards.

### **Network and Service Rollout Obligations**

16. Hutchison has no concern with imposing network and service rollout obligations by the CA on successful bidders to complete a minimum 90% of the population coverage in Hong Kong within five years from the date of the spectrum re-assignment.

### **Performance Bond and Rollout Obligations**

17. Hutchison has no comment on the requirement of the CA about Performance Bond to be given by successful bidders if not choosing to provide network figures showing fulfillment of the 90% population coverage.



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Question 9: Do you have any views on the proposal in relation to the setting and collection of SUF as specified in paragraphs 39 – 40 above?

18. In respect of the reserve price, Hutchison expects that the auction reserve price set by SCED should be reasonable and should not be higher than the previous auction for 2.5/2.6 GHz Band held in March 2013. Furthermore, the reserve price should be deducted proportionately in accordance with the shortened assignment period, from 15 years to ten years ten months, and at a suitable level that represents the minimum base value of the spectrum.
19. Regarding the payment methods of the SUF, we have no adverse comments on the two payment methods, either by lump sum payment upfront or annual instalments, which have been adopted by the SCED, as long as the payment will be divided into 11 times to cope with the assignment period of about ten years and ten months, instead of 15 times.

~ THE END ~