

**The Views and Comments of China Mobile Hong Kong Company Limited
("CMHK")
on Consultation Paper of OFCA issued on 14 February 2017**

for

**"Arrangements for the Frequency Spectrum in the 900 MHz and 1800 MHz Bands
upon Expiry of the Existing Assignments for Public Mobile Telecommunications
Services and the Spectrum Utilisation Fee"**

Question 1: What are your views on the proposals of the CA to adopt the hybrid administratively-assigned cum market-based approach for the Re-assignment of the 900/1800 MHz Spectrum, by re-assigning 2 x 10 MHz of spectrum in the 1800 MHz band to each of the incumbent spectrum assignees through the offer of a right of first refusal, based on the overriding public policy reasons of safeguarding the provision of 4G services in the Remaining MTR Stations, and ensuring territory-wide continuity of 2G services if demands exist post 2020/21, and of 2G services if demands exist post 2020/21, and re-assigning the rest of the 900/1800 MHz Spectrum by way of auction?

CMHK prefers to adopt Option 3 “the hybrid administratively-assigned cum market-based approach” stated in the First Consultation Paper issued by the Communications Authority (“CA”) on 3 February 2016 (please see CMHK further response in Question 2 hereinbelow). Regarding 900MHz band, CMHK proposes that it should be assigned to each incumbent mobile network operators (HKT, Hutchison, Smartone and CMHK) through the offer of a right of first refusal with 2 x 5MHz. It is the fact that 900MHz is crucial and limited spectrum for network coverage and new service (such as NB-IoT). It may be the best way for CA to demonstrate the objective of ensuring a level playing field and encouraging early investment and strategy planning of innovative service.

Question 2: What are your views and comments on the methods of setting the SUF as proposed in paragraphs 92–100 above?

For the purpose of keeping Hong Kong in a leading position in the Telecommunication industry, SUF should not be set too high and should be in a level which may keep Hong Kong to be a competitive city comparing to other countries. To balance the current investment and further investment in new spectrum for 5G, CMHK suggests that the Secretary for Commerce and Economic Development (“**SCED**”) should reduce the minimum price of SUF. Furthermore, CMHK proposes to use a royalty approach in setting the SUF, i.e. SUF to be calculated based on a certain percentage of the network turnover each year, subject to a minimum annual fee.

Question 3: What are your views and comments on the method of payment of SUF?

Referring to CMHK’s reply to Question 2 hereinabove, it is suggested that the SUF should be paid on an annual basis. It will also alleviate the financial burden of the Mobile Network Operators if SUF payment is made on an annual basis.

Furthermore, to avoid ambiguity of the tax treatment on the payment of the SUF in future, we request SCED or OFCA to have a written paragraph in the forthcoming Licensing Information Memorandum / auction paper (like paragraph 4.9 of the 3G IM¹) to provide certainty on the tax deductibility for the payment of SUF.

Question 4: What are your views on the band plan proposed above for the re-assignment of the 2 x 75 MHz of spectrum in the 1800 MHz band? Would you consider the proposed frequency slots to be re-assigned to individual incumbent spectrum assignees as the RFR Spectrum an optimal arrangement from the industry's point of view?

CMHK supports the band plan proposed by CA for the re-assignment of the 2 x 75MHz of spectrum in the 1800MHz band. In considering continuity of service at MTR stations, the proposed frequency slots are an optimal arrangement.

Question 5: What are your views on the band plan proposed above for the re-assignment of the 2 x 25 MHz of spectrum in the 900 MHz band?

In respect of 900MHz band, as stated above, CMHK proposes that 900MHz band should be assigned to incumbent mobile network operators with 2 x 5MHz for each operators (HKT, Hutchison, Smartone and CMHK). CMHK reiterates that 900MHz band is an important spectrum of NB-IoT service. By re-assigning 900 MHz to more operator(s), it will promote an effective competition environment which will be benefit for the market on the one hand. On the other hand, it will also truly encourage investment and prompting of innovative service.

Question 6: What are your views on the use of the SMRA format that has been adopted in the spectrum auctions held by the CA in recent years to auction off the Auctioned Spectrum in the 900 MHz and 1800 MHz bands?

CMHK is neutral on the SMRA format at this stage.

Question 7: What are your views on the proposed SC requiring all licensees to seek the prior consent of the CA and to make proper arrangements for the affected customers before phasing out their provision of 2G services and other generations of mobile services in the future?

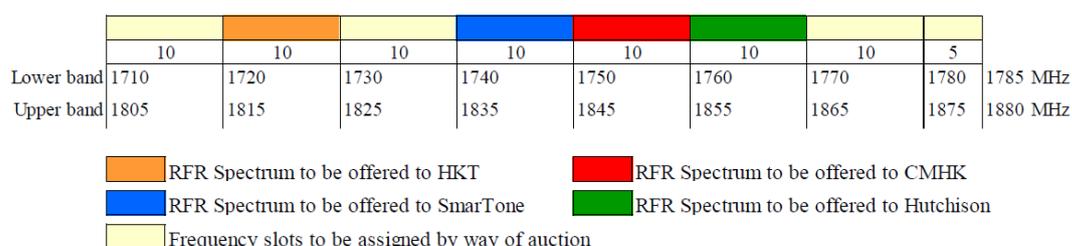
¹ Paragraph 4.9 of the "Hong Kong Third Generation Mobile Services Licensing: Information Memorandum" (July2001) ("3G IM").

CMHK has no comment on the proposed special condition requirement at this stage.

Question 8: Do you have any views on other aspects of the proposed framework for the Re-assignment of the 900/1800 MHz Spectrum not explicitly asked in the questions set out in the paragraphs above?

Referring to Paragraph 105 in the 2nd Consultation paper: In view of the proposed band plan as shown in Figure 1 of paragraph 105, the spectrum to be bidden cannot form a contiguous ones of 2 x 20MHz carrier. In this case, even if CMHK has successfully acquired any one more extra 2 x 10MHz, it may not form frequency channels adjacent to other networks which definitely affects the spectrum utilisation efficiency. Therefore, it is suggested that OFCA should allow spectrum swapping among operators so that a single carrier can have maximum 20MHz bandwidth.

Figure 1: Proposed Band Plan for the 1800 MHz Frequency Band



Referring to Paragraph 111 in the 2nd Consultation paper: CMHK proposes the spectrum cap should be set to 70MHz to avoid concentration of spectrum held by a certain specific operator. Besides, if spectrums assigned to assignee are not fully used or even not being used at all, it will certainly affect the efficiency and effectiveness of spectrum utilization and will not attain maximum benefit for the community. CMHK expects that the spectrums shall be reassigned by CA in a cautious way after taking different factors.

CMHK is of the opinion that other spectrums should be allocated with 900MHz and 1800MHz bands. Referring to CA's press release on Mar 21, 2017 (<http://www.info.gov.hk/gia/general/201703/21/P2017032100669.htm>) about spectrum for mobile service towards 2020 and beyond, CA is considering the use of 700MHz, 3.5GHz, 26GHz and 28GHz to support the 5th generation (5G) mobile services. In view of the readiness of 5G is close to the re-assignment of 900MHz and 1800MHz, CMHK suggests that OFCA should consider the auction of 900MHz and 1800MHz to be simultaneously carried out with the above spectrum.