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Press Release

# Taking away spectrum from mobile network operators hinders long-term investment and innovation Excessive SUF is against the public interest

- **Reassignment of spectrum by re-auction would disrupt customer service continuity, in particular in MTR premises.**

- **Taking away spectrum from existing Mobile Network Operators (MNOs) would effectively be penalising huge investments made by MNOs and hinder long-term investment and innovation by the industry.**

- **Excessive spectrum utilisation fee (SUF) is like levying a spectrum tax on mobile users. It would also inevitably adversely impact MNOs' ability to provide users with competitive tariffs which is against the public interest.**

**Hong Kong, 24 May 2017** – 3 Hong Kong, the mobile division of Hutchison Telecommunications Hong Kong Holdings Limited (HTHKH; stock code: 215), today submitted the company's response to the Second Consultation Paper on "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".

3 Hong Kong still believes that giving a right of first refusal (RFR) to the existing licensees of the 900/1800 MHz Spectrum under Option 1 is the only rational and reasonable choice for the government.

## Disruption to Customer Service Continuity

In the worst case if Option 1 is not adopted, 3 Hong Kong proposes that 2 x 5 MHz of spectrum in the 900 MHz band (additional to the 2 x 10 MHz of spectrum in the 1800 MHz band as proposed by the government) should be offered as RFR spectrum to ensure both continuity of mobile services and quality of user experience. A total of 60% of the 900/1800 MHz Spectrum should be divided equally among four MNOs to create a level-playing field.

The government's proposal to re-assign only 2 x 10 MHz of spectrum in the 1800 MHz band to each of the incumbent spectrum assignees as RFR Spectrum is insufficient to mitigate the 4G service continuity problems in MTR premises.

## Hindrance to Long-term Investment and Innovation

To take away the spectrum from the existing MNOs would effectively be penalising investment previously made by the MNOs and discouraging provision of innovative services to consumers. This would set a bad precedent for investors when it comes to future investment decisions on technology evolution.

The costs of re-configuring networks and replacing lost capacity would divert resources from expanding coverage or introducing innovative services to consumers. Such disruption to customer service, investment and innovation will cause substantial damage to Hong Kong's international reputation for high quality, low cost telecommunications services.

## Excessive SUF is against the Public Interest

Comparisons with international benchmarks have shown that Hong Kong's SUF is absurdly high on a global scale. It is against the public interest to seek the maximising of government revenues via collection of high spectrum fees, which causes adverse impacts on tariffs to be borne by mobile users.

The current transfer of financial resources from the incumbent MNOs to the government through grossly excessive SUF is unreasonable and unnecessary, severely hampering the MNOs' ability to provide competitive tariffs to consumers.

In addition, the proposed method of setting SUF, where the minimum price for the RFR spectrum is higher than the auction reserve price, is one-sided in favour of the government and prejudicial to the incumbent MNOs. Obviously, the government could maximise its benefits in the stuck situation of the incumbent MNOs.

Cliff Woo, HTHKH Executive Director and Chief Executive Officer, said: "Such an exorbitant SUF is like a type of spectrum tax. Has revenue maximisation become one of the government's objectives in setting spectrum policy at the expense of the long-term, healthy growth of the telecommunications industry in Hong Kong? Hong Kong's economy relies heavily on high quality and low cost telecoms services. To suffocate the development of the telecoms industry with excessive SUF will adversely impact on consumer benefits and is indirectly damaging local economic development."

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**About 3 Hong Kong**

3 Hong Kong is a leading mobile communications service provider and the only local operator to own blocks of spectrum across the 900MHz, 1800MHz, 2100MHz, 2300MHz and 2600MHz bands. 3 Hong Kong offers cutting-edge data, voice and roaming services under the "3" brand via far-reaching advanced 4G LTE, 3G and 2G networks. 3 Hong Kong also works with renowned partners to offer a wealth of innovative mobile devices and value-added services, while providing high-speed Wi-Fi at 3 Hong Kong's hotspots to serve Hong Kong's major areas. 3 Hong Kong is the mobile division of Hutchison Telecommunications Hong Kong Holdings Limited (stock code: 215), a group member of CK Hutchison Holdings (stock code: 1).

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For more information on HTHKH, visit www.hthkh.com.

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