

China Mobile Broadcasting Satellite's submission to the consultation paper on Digital Broadcasting: Mobile Television and Related Issues

Introduction

China Mobile Broadcasting Satellite Limited (CMB Satellite) welcomes the opportunity to provide our comments on the government's consultation paper entitled "Digital Broadcasting: Mobile Television and Related Issues".

CMB Satellite is majority owned by EchoStar Communications Corporations in the United States which specializes in the provision of direct broadcast satellite (DBS) subscription TV services. EchoStar operates a fleet of 14 satellites with more than 13 million subscribers and is the second largest DBS provider in the US. EchoStar is also one of the major investors in TU Media which is the sole provider of satellite digital multimedia broadcast service in South Korea.

CMB Satellite is partnered with the State Administration of Radio, Film and Television (SARFT) of the Chinese government to provide satellite capacity for the mobile TV services in Mainland China which is scheduled to be launched before the 2008 Beijing Olympic Game. CMB Satellite also participates actively in the China Mobile Multimedia Broadcasting (CMMB) working group on the development of technical standard of mobile TV in China.

Mobile TV has developed rapidly in the last couple of years. There are already places where the services have been launched with different degree of success. With a high mobile penetration in Hong Kong, mobile TV is expected to offer tremendous business opportunity. To encourage investment in new services and technology, the government should facilitate market entry by adopting a light-handed policy to lower the regulatory burden of the new entrants.

The following sets out our comments to the issues raised in the consultation paper.

Spectrum availability

With regard to the release of available spectrum, we strongly disagree to the government's proposal to delay the award of S-band spectrum after WRC-07 and urge the government to make available S-band spectrum for application as soon as possible for the following reasons:

While in Hong Kong the band of 2500 – 2690 MHz is currently allocated as the expansion band for 3G mobile services, the recommendations of the International Telecommunications Union (ITU) for Region 3, which covers Hong Kong, have included other applications, including Fixed Satellite; Mobile Satellite and Broadcasting Satellite within the same band. Allocating the frequency band above for Mobile TV use is thus consistent with the allocation plan of the ITU.

A number of countries in the region have already deployed S-band for mobile TV rollout; the most notable examples are Japan and South Korea. In China, SARFT has also announced that

it will adopt S-band for Mainland's mobile TV project. For those countries which have either deployed or planed to deploy S-band spectrum for mobile TV, their networks typically comprise both satellite and terrestrial transmission where ground repeaters are installed to supplement the satellite coverage by re-transmitting the signal in the same S-band frequency. Thus, the coexistence of satellite and terrestrial network using the same frequency for different services is highly unlikely and the risk of mutual interference between space and ground services should therefore be insignificant.

In addition, with close geographic proximity between Mainland China and Hong Kong, there are certain advantages on adopting the same frequency for similar services; those advantages include the convenience of roaming to travellers without the need to change their handsets. In fact, the merit of adopting a same frequency allocation plan between Mainland China and Hong Kong has been highlighted in the recent consultation on spectrum policy review:

“With Hong Kong's economy increasingly integrated with the Mainland's economy as the latter continues to grow strongly, we consider that, apart from interference prevention, there may be a case for spectrum allocation and release decisions in Hong Kong to take into account the wider benefits that may be brought about through harmonisation with the Mainland's use of spectrum for certain popular services. Such decisions may mean that, to facilitate harmonisation, we need to ensure that spectrum which enables the use of certain technical standards for strategic reasons is made available to the market...”¹

Given the Chinese government has already confirmed using S-band for mobile TV service in the Mainland, it would be logical for Hong Kong to adopt the same frequency allocation as soon as possible.

Shelving the award of S-band spectrum after WRC-07 also means that the launch of mobile TV service will be inevitably delayed. With the Chinese government committed to launching mobile TV service by the 2008 Beijing Olympic Game, it would be desirable for Hong Kong to be able to launch its own service by the same time. Any delay in the award of spectrum would cast uncertainty in the feasibility to rollout service on time and deprive consumers of their access to innovative services.

Unlike other wireless services where there is no imminent need for S-band spectrum in the near future, the demand for S-band spectrum for mobile TV is solid and apparent. Where S-band spectrum can be used by different competing services, deferring the award of spectrum to one service, i.e. mobile TV in favour of other services represents favouritism to certain potential spectrum holders and violates the market-led principles advocated by the Hong Kong government. It also undermines the economic value of the spectrum that can be realised by auction as some potential bidders are not allowed to bid for the required spectrum at the time they wish.

In light of the above, we strongly recommend the government to advance the allocation of S-band spectrum so that potential operators of mobile TV service can rollout their network in

¹ Consultation Paper on Proposed Spectrum Policy Framework – paragraph 33

time such that Hong Kong consumers would be able to enjoy high quality mobile TV services by mid 2008.

Spectrum allocation

Among the three options identified in the consultation paper, we support the service neutral approach for spectrum allocation as the other allocation mechanisms involve subjective judgement and are not consistent with the market-driven principle.

While the current consultation paper aims to address the potential competition for spectrum allocation by different digital broadcasting services, e.g. mobile TV, DAB and DTT, there might be situations in the future where the government need to consider whether it is desirable to introduce some form of digital services by pre-empting others. By adopting the service neutral approach, it eliminates the need for subjective judgement on which service or technology is preferable over the others.

The service neutral approach also maximises the economic value of the scarce spectrum resource by allowing more interested bidders to bid for the required spectrum. Bidders that have high expectation on the potential value that can be realised by utilising the spectrum will be willing to put up higher bids. On the other hand, where spectrum is used to provide less favourable / profitable services, its value will be reflected in the lower amount bidders are willing to put to acquire it. This ensures the allocation is economically efficient.

Spectrum assignment

On the mechanism of spectrum assignment, we concur with the use of auction to assign the spectrum for mobile TV and do not object to the levy of Spectrum Utilisation Fee (SUF) subject to that the SUF has to be set realistically to reflect current market value of the spectrum. In particular, as mobile TV is a nascent service with unproven prospect, the minimum SUF paid by licensees should be set realistically such that licensees are not required to shoulder disproportionately high SUF if their businesses turn out to be less satisfactory than expected. We look forward to providing our further comments on the auctioning mechanism in the upcoming consultation.

Licensing arrangement

We support the proposal to licensing the carriage of mobile TV service by Mobile Carrier Licence or Unified Carrier Licence as it brings the licensing arrangement in line with the existing regulatory framework of other television services. We also support maintaining the current licensing regime of not applying the requirement of the Broadcasting Ordinance on mobile TV service.

Mobile TV is still relatively new in Hong Kong. If the service is too heavily regulated during the initial phase, it would suffocate the development. To promote the service, the government

should adopt a light-handed policy to impose minimum regulation by not requiring mobile TV operators to apply for broadcast licence such that they are not burdened by onerous regulatory and licensing requirement. Not licensing mobile TV services under the Broadcasting Ordinance also puts mobile TV service providers on par with existing mobile operators providing video streaming services on their mobile network which does not require any broadcast licence.

On the issue of protecting consumers from receiving undesirable contents, our view is that the current Control of Obscene and Indecent Articles Ordinance already provides sufficient protection. The industry can also adopt suitable form of industry co-regulation which is increasing practiced by broadcasting industry in other countries.

China Mobile Broadcasting Satellite Limited
25th April 2007