

REACH LTD.

**COMMENTS ON THE GOVERNMENT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION'S
CONSULTATION PAPER CONCERNING
SPECTRUM UTILIZATION FEE FOR
SPECTRUM ASSIGNED ADMINISTRATIVELY
OF 26 NOVEMBER 2010**

25 FEBRUARY 2011



Reach Ltd.

**Comments on the Government of the
Hong Kong Special Administrative Region's
Consultation Paper Concerning
Spectrum Utilization Fee for
Spectrum Assigned Administratively
of 26 November 2010**

25 February 2011

1. INTRODUCTION

- 1.1 Reach Ltd. ("REACH") provides these comments in response to the Government of the Hong Kong Special Administrative Region's Consultation Paper "*Spectrum Utilization Fee for Spectrum Assigned Administratively*", dated 26 November 2010 ("**SUF Consultation**").
- 1.2 REACH's comments are made on behalf of its subsidiary, Reach Networks Hong Kong Limited ("**Reach Networks**"). Reach Networks holds, jointly and severally with Reach Cable Networks Limited and Reach Global Services Limited, a Unified Carrier Licence in Hong Kong.
- 1.4 Aside from an overarching interest in the further development of regulation within Hong Kong's telecommunications market, REACH has a particular interest in the SUF Consultation as a provider of wholesale international satellite capacity.

2 COMMENTS

General

2.1 REACH's principal activity in Hong Kong is that of an international carrier providing wholesale global connectivity services. Therefore, REACH provides its comments herein largely from the perspective of a provider of wholesale satellite capacity and services. As such, and as not all the questions raised in the SUF Consultation are pertinent to the provision of wholesale satellite capacity and services, REACH has addressed only those issues relevant to fixed satellite services ("FSS") and takes no position on other questions raised in the SUF Consultation.

2.2 REACH notes that one objective of the introduction of the Spectrum Utilization Fee ("SUF") is to encourage current users of frequency bands that are considered congested to take up alternative means of service delivery. However, we would comment that the SUF will not be effective in achieving this goal in respect of FSS as the frequencies used by the satellite station operators are determined by the frequencies at which the satellite transponders operate, and satellite station operators have no alternative but to operate at the same frequencies as the satellite transponders. As the SUF consultation notes, the choice of satellite transponder operating frequencies is often driven by factors such as the high rain attenuation characteristics of the C-band frequencies to cope with high rainfalls in the region. As a consequence, satellite station operators will continue to have to use the same C-band frequencies for the foreseeable future irrespective of the imposition of SUF as an incentive to move to other frequencies - as these are the frequencies at which most of the relevant regional satellite transponders operate.

Responses to SUF Consultation Questions

Q.1 Do you agree that SUF for administrative assigned spectrum should only be applicable to the congested frequency bands based on the criteria of congestion given in paragraph 22?
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2.3 REACH agrees that SUF for administratively assigned spectrum should only be applicable to frequency bands that are considered congested. However in determining congestion, to be equitability with congestion determinations where demand for using a frequency is expected to grow over time, consideration should also be given to no longer considering frequency bands for which demand is declining as congested.

Q.2 Do you agree that SUF levied on the administratively assigned spectrum should be based on the LCA approach?

2.4 Agree.

Q.3 Do you agree with the approach on setting the SUF for congested frequency bands for fixed links mentioned in the above paragraphs?

2.5 Agree.

Q.4 Do you agree with the approach on setting the SUF for congested frequency bands for ENG/OB links mentioned in the above paragraphs?

2.6 No comment.

Q.5 Do you agree with the approach on setting the SUF for congested frequency bands for satellite uplinks mentioned in the above paragraphs?

2.7 Agree.

Q.6 Do you agree that SUF should be imposed as annual payment regardless of the valid duration of the licence?

2.8 Agree that SUF should be payable on an annual basis regardless of the valid duration of the licence. However, REACH agreement to SUF payment on an annual basis should not be taken to imply agreement that frequency allocations should also be on an annual basis.

Q.7 Do you agree that fixed links operated by mobile carriers should be assigned under UC licence (instead of WBLRS licence) and thus be charged with the relevant SUF accordingly?

2.9 No comment.

Q.8 Do you agree that SUF should be applied to all users of the designated congested frequency bands irrespective of the time when the licence of the user is due for renewal?

2.10 No comment.

➤ Q.9 Do you agree with the transitional arrangements for implementing the SUF charging scheme (i.e. the grace period, the phase-in introduction of the SUF and the one-off grant arrangement) as proposed in paragraph 57 above?

2.11 Agree.

➤ Q.10 Do you agree that SUF charging scheme should be reviewed every five years?

➤ 2.12 Agree.