

RESPONSE TO IDA'S CONSULTATION

**ALLOCATION OF SPECTRUM IN
THE 1800 MHz FREQUENCY BAND**

Submission by:
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EXECUTIVE SUMMARY

StarHub appreciates the opportunity to comment on IDA's Consultation Paper on making available additional 1800 MHz spectrum, and on the proposed allocation framework for this. Our comments on this matter are set out below.

StarHub does not support the allocation of an additional 5 MHz lot of 1800 MHz spectrum. We believe that such an allocation:

- a) Is unnecessary, as a party wanting additional 1800 MHz spectrum had the option of acquiring such spectrum (in an open and transparent manner) during IDA's February 2008 Spectrum Reallocation Exercise;
- b) Would be contrary to IDA's statements (made immediately prior to the February 2008 Spectrum Reallocation Exercise) that IDA would reserve the three lots of 1800 MHz spectrum, and would not be auctioning this spectrum;
- c) Would be unfair and inequitable to PCMTS operators, as it would immediately create an imbalance between the operators' spectrum holdings (despite the fact that the operators have similar-sized customer bases); and
- d) Would introduce significant uncertainty into the regulatory framework for spectrum allocation.

We therefore believe that allocating one additional lot of 1800 MHz would be both premature and inappropriate. StarHub's comments on the proposed allocation framework are as follows:

- IDA has stated that the additional 1800 MHz spectrum will primarily be used for providing 2G services. Given this situation, we believe that a spectrum right duration of two years would be sufficient. This duration would also provide IDA with greater flexibility in regard to re-allocating the limited PCMTS spectrum.
- Given that the spectrum will be used for 2G services, it is technically feasible to maintain a lot size of less than 5 MHz. StarHub proposes that IDA should divide the 5 MHz spectrum lot into three sub-lots, each with bandwidth of 1.5 MHz. These sub-lots would be individually offered for bidding.
- It is important to establish sufficient separation between the two spectrum lots that IDA intends to reserve for short-term use and testing purposes. StarHub therefore proposes that only Lot B (1735 – 1740 MHz / 1830 – 1835 MHz) should be offered for bidding (based on the 1.5 MHz sub-lot auction format proposed above).

We present in the following section StarHub's detailed comments on IDA's proposed framework for allocating spectrum in the 1800 MHz frequency band.

SPECIFIC COMMENTS

Please find below StarHub's specific comments on: (i) the proposal to allocate a single 5 MHz lot of 1800 MHz spectrum; and (ii) the spectrum allocation framework proposed in the Consultation Paper.

(1) Allocating a Single 5 MHz Lot of 1800 MHz Spectrum:

(1.1) Insufficient grounds to allocate more spectrum

IDA held its Spectrum Reallocation Exercise for Public Cellular Mobile Telecommunication Services ("PCMTS") just over six months ago. As part of that exercise, IDA made available one lot of EGSM, five lots of 900 MHz, and 12 lots of 1800 MHz spectrum. IDA received only one initial offer for each of these spectrum lots. There was **no** excess demand for PCMTS spectrum (including the 12 lots of 1800 MHz spectrum IDA put up for bidding).

The PCMTS spectrum that IDA awarded in March 2008 will take effect only from 1 January 2009, which is still three months away. In preparing their bidding strategies for the February 2008 Spectrum Reallocation Exercise, it is certain that the bidders would have assessed their spectrum requirements for the period commencing from 1 January 2009 (and beyond).

If an operator had wanted to acquire additional 1800 MHz spectrum, it is entirely reasonable to have expected that operator to have bid for additional 1800 MHz spectrum during the February 2008 Spectrum Reallocation exercise.

We would note, for example, that in the case of SingTel Mobile, this company actually gave up a lot of 1800 MHz spectrum in the February 2008 Spectrum Reallocation Exercise, presumably because it placed a low value on this spectrum. It would be deeply troubling if IDA was to allow a particular operator to effectively "change its mind", and acquire spectrum it had recently decided to give up.

StarHub is not convinced that IDA should allocate more PCMTS spectrum six months after the last Spectrum Reallocation Exercise. Clearly, the party now expressing interest in additional 1800 MHz spectrum could have bid for this spectrum in the February exercise.

Making additional spectrum available to one operator at this time would be very disruptive to IDA's auction process. Allocating new spectrum now would deny the industry certainty as to the regulatory approach that IDA will adopt in regard to future spectrum allocations. Taking this approach would also deter potential bidders from participating in future auctions, and encourage them to simply lobby for spectrum after the tender has closed.

(1.2) Variation of IDA's undertaking to bidders

At the time of the February 2008 Spectrum Reallocation Exercise, IDA specifically stated that it would reserve three lots of 1800 MHz spectrum for future use. IDA's approach, of reserving the three lots, placed a limit on the number of spectrum lots available for bidding, and had a significant impact on the bid strategies the parties adopted during the Spectrum Reallocation Exercise. Had the operators known that IDA would conduct another round of spectrum auctions with the reserved lots (contrary to IDA's written statement on this matter), their response to the Spectrum Reallocation Exercise would have been very different.

If IDA was to now start allocating additional 1800 MHz spectrum, this would fundamentally change the basis on which the operators made their bids in the Spectrum Reallocation Exercise. We therefore believe that allocating additional 1800 MHz spectrum so close to the last Spectrum Reallocation Exercise would be disruptive, and would undermine the spectrum allocation framework that IDA has put in place. If IDA was to allocate the additional 1800 MHz spectrum now, it will raise questions as to how IDA will allocate spectrum following future Spectrum Reallocation Exercises.

(1.3) Distribution of PCMTS spectrum among operators

The operators currently have approximately the same number of cellular mobile customers. The outcome of the spectrum re-tendering exercise in March 2008 reflected this, with each operator receiving the same amount of PCMTS spectrum to serve those customers. Should IDA decide to conduct another spectrum auction, but limit the supply of spectrum to a single lot, this would inevitably create an unbalanced situation, in which one operator has more spectrum than the others.

StarHub has maintained for some time that if the mobile operators have approximately the same number of customers, they should have the same amount of spectrum to serve those customers. Any other outcome would have the result of benefiting one operator over the others. Allocating an additional lot of 1800 MHz spectrum would lead the industry directly back to the old situation in which spectrum allocations were out-of-balance between the operators.

StarHub therefore submits that adopting an ad-hoc approach to allocating additional spectrum (as proposed by the Consultation Paper) will not benefit the industry. Instead, it will introduce significant uncertainty into the regulatory framework for spectrum allocation, and may unfavorably impact confidence in the regulatory regime.

(2) Proposed Allocation Framework:

In the event IDA decides to proceed with allocating the additional lot of 1800 MHz (despite the concerns raised in this response), StarHub believes that the following measures would be necessary in ensuring a fair and equitable outcome:

- The 5 MHz additional lot of 1800 MHz spectrum should be divided into three parts, each with a bandwidth of 1.5 MHz. This arrangement is technically feasible, given that the intended spectrum use will primarily be for 2G services¹. IDA could then limit each existing operator to holding one 1.5 MHz lot. This arrangement would help to avoid a situation in which one operator would be advantaged by the allocation, and the other two operators would be disadvantaged.
- IDA could then utilise the remaining 500 kHz in the main lot for configuring the intervening guard bands between the operators. Operators will then be able to use the entire 1.5 MHz in each sub-lot, without having to make provision for guard bands between the sub-lots.
- The spectrum rights would be valid for a period of two years. We believe that this shorter timeframe will offer IDA the flexibility it needs to plan the re-allocation of limited unused PCMTS spectrum (if and when the demand situation changes).
- IDA should reserves Lots A and C for temporary and/or experimental use. This would ensure that there is sufficient separation between frequencies earmarked for short-term use and testing purposes (such as handset testing). We would propose that Lot B (1735 to 1740 MHz, paired with 1830 to 1835 MHz) be made available for bidding.

Conclusion:

StarHub could understand the allocation of additional 1800 MHz spectrum if it had been some time since the last Spectrum Reallocation Exercise; or if one operator had significantly less spectrum than the others. However, neither of these situations applies in the case of the Singapore mobile market.

The mobile operators currently have approximately the same number of mobile customers and very similar spectrum holdings; and the last Spectrum Reallocation Exercise was held only six months ago. We believe that it is entirely reasonable to expect the operators to have used the February 2008 Spectrum Reallocation Exercise to acquire the mobile spectrum they need for the foreseeable future.

Allocating one lot of 1800 MHz spectrum at this point in time would simply: (a) result in an unbalanced market, in which one operator ends up with more spectrum than its competitors (thereby granting it a competitive advantage); and (b) undermine IDA's previous statements that it would retain the three lots of 1800 MHz spectrum in reserve for future use.

StarHub would therefore not support a spectrum auction, as proposed in the Consultation Paper. In the event that IDA decides to allocate the spectrum lot (despite the arguments set out in this paper), StarHub submits that the spectrum should be allocated in a more equitable manner. It is entirely feasible to

¹ IDA's Consultation Paper dated 5 September 2008, on Allocation of Spectrum in the 1800 MHz Frequency Band (see paragraphs 6 and 7).

allocate the 5 MHz of spectrum in three lots, each of 1.5 MHz. This allocation would result in additional spectrum being granted to the operators, but in a manner that ensures a level playing-field is maintained.

StarHub is grateful for the opportunity to comment on this matter.