Consultative Paper on "SIM Lock"

Purpose
Recently, the Office of the Telecommunications Authority (OFTA) has received a submission from the industry enquiring whether GSM handsets incorporated with the "SIM Lock" function could be allowed for use in Hong Kong. Having studied this "SIM Lock" function, the Telecommunications Authority (TA) has the concern that the "SIM Lock" may adversely affect free competition in the market of GSM/DCS services in Hong Kong. Therefore, the TA issues this consultative paper in order to solicit views and comments from relevant members of the telecommunications industry and other interested parties before making any final decision on the way forward of "SIM Lock".

What is the "SIM Lock" function?
2. The Subscriber Identity Module (SIM) card is a kind of smart cards which contain the relevant personal information and identity of a GSM/DCS customer. Before a customer can access and use the network to which he/she subscribes, he/she needs to insert the relevant SIM card into the handset and then power it up so that the network operator can verify his/her identity and status. The SIM card was originally designed so that a handset could work with different SIM cards to access the services of different networks. However, the proposed "SIM Lock" function can electronically lock a particular handset or certain types of handsets into a network with the result that a customer will have to buy a new handset in order that he/she will be able to use a new GSM or DCS network.

Development in Europe
3. In fact, some GSM network operators in Europe have already been selling "SIM Lock" handsets to customers. They also proposed to the European Telecommunications Standards Institute (ETSI) to adopt "SIM Lock" as a GSM standard to be incorporated into all European GSM handsets. There were two main reasons for their proposal. One was on the anti-theft issue that if a handset was lost or stolen, this handset could not be used, through the insertion of another SIM card, to obtain service from any operator.
the insertion of another SIM card, to obtain service from any operator. The other reason was that the network operators wanted to protect the subsidy of handsets that they paid to dealers for selling the handsets to customers at very low prices. The "SIM Lock" was considered by operators to be a more effective tool of locking the customers into their networks than the approach of signing long-term contracts with the customers. However, this "SIM Lock" issue had caused grave concern from the European Commission (EC). The EC Directorate-General IV (on Competition) was of the view that such "SIM Lock" function would seriously restrict competition and prevent the achievement of common market for goods and services. It had issued warning letters to all European operators and manufacturers not to adopt such practice and also requested ETSI first to stop any further progress being made on the "SIM Lock" standardization, and secondly to withdraw the proposed modification to the GSM standard. The Technical Committee of the Special Mobile Group (TC SMG) of ETSI was tasked to develop the "SIM Lock" specification on GSM 02.22 called "European digital cellular telecommunications system (Phase 2); Personalisation of GSM Mobile Equipment, Mobile functionality specification". At the 19th plenary meeting held in Stockholm in June 1996, TC SMG had decided to suspend all the work on GSM 02.22, pending the outcome of the investigation of this matter by the EC.

TA Initial Consideration

4. Having studied the recent development of "SIM Lock" issue in Europe and the draft ETSI specification GSM 02.22 version 2.0.0 dated 9 November 1995, the TA has the following initial consideration and concern:

- Although the "SIM Lock" function may deter theft of handsets, it also has the effect of tying the handsets into a particular network. The TA initially takes a similar view with that of the European Commission that the use of the "SIM Lock" function at GSM/DCS handsets by network operators for the purpose of locking customers into their networks may adversely affect the open competition among operators in the mobile telecommunications industry of Hong Kong. The reason is that this function would prevent customers or consumers to switch easily between services to take advantage of better quality or lower prices of service and enjoying different service offerings by other networks. The recent announcement of issuing six Personal Communications Services licenses by the TA is to provide more competition in the mobile market so that consumers would benefit in lower customer charges, improved service quality and would be able to switch readily to their preferred networks of compatible technical standard by using their available handsets.

- However, the TA may consider to allow operators and dealers to deploy SIM locked handsets to customers provided that the "SIM Lock" is offered to customers purely for the purpose of anti-theft and it can allow the customers to unlock their "SIM Locked" handsets by themselves easily when required. Such "SIM Lock" feature must be in conformity with the GSM standard and specification to be adopted by ETSI in future.

- The TA will monitor closely the development of this issue in the GSM MoU Association and ETSI. In the mean time, no mobile operators should attempt to adopt and implement any types of "SIM Lock" features in their networks and at customers' equipment.
Consultation

5. The TA would like to invite views and comments from the mobile telecommunications industry and other interested parties on whether "SIM Lock" function should be adopted and if so, what are the measures to be imposed for safeguarding competition of the mobile market in Hong Kong. Any views and comments on this consultative paper should be made in writing and should reach OFTA on or before 31 October 1996 at the following address -

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The TA reserves the right to publish all views and comments received and the identity of the source when finalizing the way forward of this "SIM Lock" issue.

Office of the Telecommunications Authority
20 September 1996