

LETTERHEAD OF SUNDAY

CB(1) 1294/00-01(03)

19 May 2001

Ms Eva Cheng
Deputy Secretary for Information
Technology and Broadcasting

Dear Ms Eva

Re: Submission to Legco Bills Committee

SUNDAY is anxious for speedy passage of the proposed legislation that you are now considering. Hong Kong needs to be able to position itself as a leading platform in Asia for rich and broad-based content for 3G services, and the longer it takes to put necessary legislation in place, the greater the risk that others might gain headway.

While we appreciate the efforts OFTA has made to consult widely on this issue and to recognize the concerns of potential 3G operators, we would not be consuming the time of this Bills Committee at this very late stage unless the issue before you were not of major importance.

SUNDAY believes one major flaw still remains in the auction process. We believe there is an inconsistency in policy and practice that will hurt operators, consumers, and the many service providers who hope to build businesses on the 3G platform. It is an urgent priority even at this very late stage that the auction rules be remedied.

We believe the key recommendation regarding whether the auction ends when the fourth or fifth operator drops out is in serious conflict with the Government's stated policy.

If the declared intention of the Government was to maximise revenue through the auctions (as it was in the UK and Germany last summer) then pushing for a "market price" might be defensible - even though the evidence from Europe shows clearly that immense damage has been done to the industry since then.

However, unlike in Europe, OFTA has quite specifically said it is not driving to maximise revenue. Instead, OFTA has said it is aiming to ensure that competitive 3G services can be rolled out economically to customers. OFTA has preferred an auction because of its potential transparency, simplicity and objectivity in short-listing those operators most committed to developing 3G services, so that Hong Kong's competitive position as a market leader in wireless telephony in Asia can be enhanced by the rapid and extensive development of 3G services.

This approach is clearly right: it will give consumers a wide variety of services at low prices; it will encourage thousands of jobs through new companies providing services for the 3G platform (already over 20,000 companies deliver services on iMode in Japan as an example).

If this is right, then once the auction process has filtered the field of contestants down to four, the auction should come immediately to an end. It is neither simple nor transparent to ask the

final four to continue bidding blindly against each other simply for the purpose of gathering extra dollars for the Treasury.

This will add to the financial burdens of the potential licensees, jeopardize their financial viability, slow the development of 3G services to consumers as well as raising the cost of services to users. One of Hong Kong's most dynamic and competitive sectors would be severely hurt.

We ask for this one change to the bill. If such an amendment enhances the success of 3G services, then the Government and consumers will gain greatly, separating Hong Kong's success from Europe's dismal record on providing 3G to consumers.

Yours sincerely

Craig Ehrlich
Group Managing Director