

Accusations over stalling telephone rise

By JAMES RILEY

HONGKONG Telephone claims its plans to raise charges by an average 10 per cent have been deliberately stalled by the Government.

The new scale of fees was to apply from April 1, but Hongkong Telephone claims its tariff application has been frozen because the Government has delayed introducing a scheme of control, a mechanism which fixes the company's return.

The previous scheme of control expired last March and the company's managing director, Mr Greg Crew, says the Government had made assurances that a replacement would be introduced by the middle of last year.

Since then, the scheme of control issue has become embroiled in the policy review undertaken by the Economic Services Branch.

Mr Crew complained that the company could be unfairly penalised by the delays because it was not able to adjust prices to account for rising costs.

"We asked for various increases on different items based on inflation, and we looked at that to be about 10 per cent," he said.

Government officials dismiss the complaints, saying that when the company applied for its rate increase last October it had agreed that a decision on tariffs should be deferred until a replacement scheme of control was in place.

The Government maintains that because local telephone tariffs are subsidised

by international calls through a revenue-sharing arrangement between Hongkong Telephone and Hongkong Telecom International, the local tariff issue should be considered in the context of the overall telecommunications policy review.

The telephone company, however, now maintains the Government should judge its application for tariff increases on its own merits, and consider its approval or otherwise outside the context of the overall policy review.

The company is also increasingly vocal in its criticism of the policy delays, in particular the Government's failure to make a decision on the future of the company's monopoly franchise on basic telephone services.

"Here it is 1992 and there is still no indication to us or the rest of the industry as to what future policy is going to be," Mr Crew said.

Because tariffs are written into the Telephone Ordinance, all tariff changes require the approval of the Legislative Council.

Although the Government has said it could consider looking at the request for a tariff increase outside the overall review if the company formally requested it, Legco would seem unlikely to view the proposed increases favourably if the overall policy review had not reached its conclusion.

The company's previous scheme of control had sought to limit profit to 16.5 per cent or less of its assets.