

# A call for a better deal for HK telephone users

**T**HE importance of telecommunications to a rapidly growing cosmopolitan city such as Hongkong is beyond doubt. But it seems that the Government has little idea on telecommunications policy. The commercial sector and the public are equally bewildered about what is in store.

In 1988, the Government invited tenders for cable television services. The plan then was for cable television to also provide a local telecommunications network. But when the successful bidder pulled out, the proposal died a premature death.

Four years have elapsed and the Government has yet to come up with a new, comprehensive telecommunications policy. This is rather disappointing. At the same time, the profit control scheme for Hongkong Telephone Company expired in March last year and we have yet to learn of a new control scheme. What is more, the franchise for Hongkong Telephone Company will expire in 1995 and the Government has not announced a concrete plan on how to handle local telephone services from then on.

For quality of services such as IDD and international facsimile, Hongkong compares favourably with any modern city in the world. Fees and charges for outgoing calls from Hongkong are cheaper than incoming calls from other countries. In general, the services provided by Hongkong Telecom International are satisfactory.

As for local telephone services, more than 94 per cent of telephones in Hongkong are digital. Hongkong also boasts 1.5 telephone lines per family. These figures are higher than those of the United Kingdom, the United States and Japan. Rentals for both residential and commercial lines are competitive compared with most advanced countries.

I believe, however, that handling telecommunications business through a franchise system is, in the final analysis, not the best policy. From the viewpoint of a free economy, competition is the ideal way.

**SLASH charges for overseas calls, ditch the franchise system, separate telecommunications and cable television, and keep the public informed. STEVEN POON KWOK-LIM, of the Co-operative Resources Centre, sponsor of a motion debate on telecommunications policy in Legco today, states his case.**

There used to be a time when monopoly of the telecommunications industry was the name of the game. But the US, Britain and Japan have since the 80s adopted a deregulatory policy and there are many examples of success in the introduction of competition in the industry.

I do not see any justification to extend the franchise of Hongkong Telephone when it expires in 1995. The Government should open up a second telecommunications network so that telephone services can develop in an environment of healthy competition.

**With a second network, telephone services could develop in an environment of healthy competition.**

To make the second network compete fairly and effectively, the Government must ensure it can easily connect to the existing Hongkong Telephone and Hongkong Telecom International networks at reasonable prices.

Even with the commissioning of a second network, the existing network could still dictate, at least initially, the level of service charges because of market domination over the second network. The Government should continue to implement price control for the first network during the inception stage of the second to ensure consumer interests are looked after.

The Government announced recently that it is negotiating a new price control scheme with Hongkong Telephone. The new scheme will adopt an inflation index minus X formula to calculate future charges. With the advance of technology and reduction of production costs for electronic products, lowering of telecommunication charges can be expected. The new formula could encourage Hongkong Telephone Company to increase efficiency.

The Government should review the existing arrangement whereby international

calls made from cellular phones have to plug into the local telephone network. This is redundant in terms of technology and economy, and is unfair to consumers. International calls from cellular phones should connect directly to the Hongkong Telecom International telephone network so that connection charges can be saved. This would also allow cellular phone operators to share the income of international calls.



While charges for international calls from Hongkong are lower than those for incoming calls, the profit level of Hongkong Telecom International is, in my opinion, very high, to

the extent that it has exceeded the reasonable level for a business enjoying a monopoly. I propose that the Government should negotiate with Hongkong Telecom International to immediately reduce charges substantially and to set up a reduction target each year for the next five years.

The operator of the second network is bound to devote its services to areas which can provide the most profits. The Hongkong Telephone Company network is however territory-wide, providing services to money-losing remote districts as well. I suggest that, on the principle of fairness, it should be stipulated that the second network operator will be required to provide services throughout Hongkong within three years.

I believe it was a grave mistake that in 1988 the Government invited tenders to annex a telecommunications network and cable television. This is a case of putting the cart before the horse. The right to operate subscription television and the right to provide a second network should be separated.

An important area in telecommunications policy is a monitoring system. At present, the Economic Services Branch (ESB) of the Government Secretariat is responsible for formulating telecommunications policy while the Postmaster General is the executive arm. The arrangement is unsatisfactory as the ESB has limited resources and is too loaded with duties. The Postmaster General is too technology-oriented.

I suggest the Government should set up an independent authority along the lines of the Office of Telecommunication in Britain. Its terms of reference are to monitor the telecommunications business, to lay down principles in setting prices and to conduct consultations.

Finally, I urge the Government to consult the public on this complicated business and to explain periodically its telecommunications policy to enhance public knowledge on how it is formulated and executed.