

A clear case of static on the line

AT LONG last – after five years and one false start – the Government has managed to formulate a policy for telecommunications and another for pay TV.

The Hongkong Telephone Company's exclusive right to provide voice telephone services, termed "franchised" services, will end in 1995. In September, other players will be invited to apply for licences to provide non-franchised services, such as facsimile, electronic-mail, data circuits and leased circuits starting in 1993, and voice services after 1995. Direct connections with Hongkong Telecom International will also gain them a share of international revenue.

Several licences will be issued in 1993, followed by a two-year breathing space to see how many operators the market can support. Preference will be given to applicants who can offer the least amount of road-digging, which means they either do deals with companies such as utilities, who own ducts and rights-of-way, or they rely on radio-based transmission.

But, crucially, the Government intends to give preference to networks which offer genuine innovation in services and facilities rather than to those out to make a fast buck from sharing in the international revenue services. In my view, if this can be achieved it is a very important point, for reasons I hope to make clear below.

At the same time, the Government has announced its pay TV policy. Again it is indicating a preference, this time for a cable over a microwave system, not the least advantage of this being that, once it is built, the network is also available to carry telecommunications services.

But sensibly, the Government has, for the time being, separated

DR JOHN URE, of the University of Hongkong's Centre of Asian Studies, welcomes the Government's long-awaited moves to open up the telecommunications industry to competition, but argues for clearer thinking in implementing them.

the TV and telecommunications issues. They may show strong synergies, but they are different businesses, and had they been treated as such from the start Hongkong may have had pay TV by now.

Telecommunications networks provide the principal platform for information technology throughout the economy.

The cutting edge of telecommunications may be to feed the appetites of the banks, transport and trading companies for high-speed digital data links, but the structure of Hongkong's economy remains dominated by small and medium-sized businesses.

Few of these firms use anything more complex than a fax machine and a mobile telephone. Even the use of personal computers is patchy, and almost no computer networking takes place. For example, there are more than 175,000 commercial establishments in Hongkong, yet fewer than 2,000 use the territory's two trade information databases. This is not necessarily a problem, but it will become one if Hongkong's transition to a higher value-added economy is hampered by a commercial culture that remains pre-electronic.

The availability of user-friendly multi-media telecommunications services, packaged to cater for the needs of small to medium-sized business users and the growing pool of professional and administrative workers, would make an important contribution

to Hongkong's future. Looked at in this light, the telecommunications sector should be seen as one of the driving forces of economic transformation.

Therefore, the decision to license new operators who genuinely have something to offer these sectors would do far more long-term good to Hongkong than licensing an entrant only interested in skimming cream from the highly profitable international market.

Yet there is no telecommunications debate that places policy in this wider context. Instead, the debate, such as it is, is shrouded in vested interest and tends to focus exclusively on financials, such as prices and profits. This fails to identify the strategic role of telecommunications or the need to go beyond a single-policy initiative and establish a procedure for regular policy review. All the guidance note states is that its approach "will be market-driven".

INDUSTRIAL policy-making in Hongkong suffers from its British colonial mould. Policies broadly follow those of the UK, but are subject to the need to assimilate or accommodate local interests. One way this is achieved is through an executive-led Government which provides powerful lobby groups direct or indirect access to the highest levels. The result is that recommendations from Government departments and branches can be modified at the level of the Executive Council with little or no prior public information or debate.

This happened when Exco offered STAR TV the right to begin a subscription service from October 1993 on new channels. It inevitably results in cries of foul from the unrewarded interest groups, and a mixture of confusion and cynicism from the public, even when the decisions make sense.

But balance between powerful lobby groups is also required. This appears to explain the subsequent decision to limit STAR TV's subscription service to transmission through the new pay TV network, although this has been interpreted, wrongly in my view, as an imposition on pay TV favourable to STAR. More favourable to STAR is the fact that the limit ends in 1996.

The decision-making process is opaque, and this matters, but not just because it makes for bad decisions, or for bad presentation of good decisions. More to the point, it is inappropriate to the future role of telecommunications in Hongkong, because deregulation and market liberalisation will lead to re-regulation (as it has done in the US and the UK) and to the need for more regular policy reviews, not less.

As new licensed operators enter the field, more issues of dispute will arise which demand a Government policy or intervention.

The Government, in my view, has at last taken steps in the right direction.

They have, for the time being, separated TV for telecoms, they have abandoned the "second network" model, and they have stressed the need for new competitors in telecommunications markets to offer innovative services.

But the one item they are still shy about is the need to reform the regulatory structures in Hongkong to make them more policy-oriented and more transparent.

SOUTH CHINA MORNING POST
2 AUG 1992