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A monopoly profits

DO bumper profits at Hongkong Telecom mean the company is abusing its privileged position as the territory's only supplier of telecommunications services? Some reactions to last week's record profits – which jumped more than 13 per cent to $6.4 billion – suggest that investor satisfaction is not shared by the service's users, who paid the prices that powered the profits.

Monopolies are always potentially dangerous but they are not inevitably harmful. If control over a market is exercised responsibly, and with checks and balances, abuses can be minimised. But when no choice is available, even the fairest of boards must expect suspicion to fall on them when revealing they have made a lot of money.

Part of the problem at Hongkong Telecom is that it cannot help coining profits. As an international trading centre, Hongkong lives by the telephone, the fax and electronically transmitted data. The furious level of economic activity in the region has brought a corresponding increase in traffic and Hongkong Telecom stands at the electronic gateways, collecting its tolls.

In addition, the economic explosion in China has brought a surge in the growth of communications with the mainland and the beneficiary has to be Hongkong Telecom: there is no one else to gain.

Which is where the answer to the criticisms really lies.

The most effective system for preventing the abuse of a monopoly is to end it. Plans are being laid for other networks in Hongkong and more than half a dozen companies have submitted proposals to be allowed to take on the incumbent giant. The sooner licences are handed out, and the pressure of competition puts a real test on pricing and service – rather than relying of financial formulas and an official watchdog – the better for the consumer. The Government needs to make decisions quickly if the successful applicants are to be ready to take advantage of the opportunity to compete on local calls by 1995. As Britain's experience has shown, it takes a long time before newcomers can lever business off an entrenched monopoly but they can act as a catalyst, by shaking up the monopoly's service standards.

Where the real competition should be laid down is in the international sector, but Hongkong Telecom is complacent in the knowledge that it will have the field to itself until 2006 thanks to Government edict. Even science cannot come to the rescue, as the licence aims to protect the company without regard to the technology used to send messages.

The Government ought to think again about the monopoly on international services. Competition has made Hongkong thrive, to the benefit of consumers and whole community, not just a group of shareholders. If the Government is wary of this step, it at least should ensure any opportunities that emerge are exploited, not blocked off at the company's request.

What Hongkong Telecom has to do is show that it deserves its present privileges and is investing in the sharp edge of technology to keep the territory ahead of regional competition. But it must also share the plunging costs of electronic equipment with its customers.