

J. C. Walker

26 Oct. 1984

Allegations fly as mobile phone row heats up

A major row is brewing in the Hongkong telecommunications industry, with Hongkong Telephone Co (Telco) rejecting assertions made by one of its prospective competitors in the mobile radio-telephone sector.

The main issue, as yet unresolved, is the charge Telco will levy to mobile radio-telephone licensees to connect to the existing telephone switching network.

In a statement earlier this week the general manager of China Telecom Systems (Chinatel), Mr Peter Hutton, said Telco wanted to charge at least twice the rate Chinatel had envisaged as a call charge.

Telco managing director Mr Eric Walker yesterday reacted angrily to Mr Hutton's remarks, saying he had used privileged information to which he had access while he was an adviser to the Postmaster-General.

Mr Hutton left the Post Office last month to join Chinatel, and his position in the Government involved telecommunications, including the mobile radio-telephone issue.

"The Postmaster-General has already indicated what he feels the (inter-connection) rate should be, and he was advised on this by Mr Hutton," Mr Walker said.

Mr Hutton, in turn, has denied that he used confidential information gathered while he was in Government service.

"I signed an Official Secrets Act declaration while I was with the Government, and have not used any privileged information since I left.

"In addition, I was not in Hongkong during the period of the negotiations between Telco and the companies, and did not have access to such information after my return," he said.

Telco's view is that the charge advocated by the Postmaster-General's office is inadequate for the service pro-

vided, and is based on marginal costing, while not providing due compensation for the net worth of the existing network.

The final arbiter in the dispute over charges will be the Legislative Council, which had already set a date of September 30 for conclusion of the negotiations.

However, this date has passed with the air still clouded, and Legco will have to take a decision based on submissions by all parties.

Among the costs incurred by Telco in providing an effective service to mobile radio-telephone licensees is the equipment needed to monitor traffic from the mobile network over the Hongkong line network as well as a system of billing customers.

In addition, according to the Telco argument, end-users of PABX systems should not pay more than end-users of mobile systems, and the rate should be adjusted to reflect equanimity.

A fourth point, stressed by Mr Walker, is that the interconnection charge should reflect the value of the Hongkong network.

"The principle is that the network has a value, paid for by subscribers and shareholders, and the user of a value-added system must pay a price," Mr Walker said.

Another Telco contention is that while Hutchison Radio Telephone — with Telco subsidiary Communication Services (CSL) and Chinatel making up the three mobile radio-telephone licensees in Hongkong — had been co-operative in trying to resolve the charging issue, Chinatel had been obstructive.

Mr Hutton said yesterday Chinatel had participated in all the negotiations, but felt it had not been given sufficient supporting information to justify the charges Telco wished to levy.

Meanwhile, Telco's CSL has been up and running with its system since January this year, with about 700 local users.

While the other licensees haggle over the price, CSL is gaining a marketing advantage by being able to offer poten-

tial subscribers a working system.

Mr Walker dismissed the suggestion that Telco had delayed the start-up for the other two licensees.

"I refute this allegation entirely — we are not delaying connection, and have continued discussions with both Chinatel and Hutchison Radio Telephone throughout the negotiations on charges.

"The first firm order for circuits we had from Chinatel was on August 29 — they did make application in May, but that was for a PABX-type installation," Mr Walker added.

According to Mr Hutton the dispute over licences — which went to arbitration — had delayed the decision to invest "millions of dollars" in equipment because Chinatel was not sure which way the arbitration decision would go.

Mr Hutton conceded that Chinatel had no base stations (the nerve-centre of a radio system), but would be ready early next year.

He claimed that without the delay caused by the arbitration proceedings the company would already be operating.

However, Mr Hutton agreed that the dispute over charges had not caused delays.

On the question of what would be a reasonable charge for interconnection of the mobile radio networks to the Telco system, Mr Walker said that if the group is forced to charge the rate indicated by the Postmaster-General it would be tantamount to the line subscribers subsidising radio users.

Mr Hutton said Chinatel would pay a reasonable rate for the network it wanted to use, but had to ensure that its subscribers were not paying an excessive rate.

On another issue, Telco's managing director-elect (he succeeds Mr Walker at the end of the year), Mr Rod Olsen, who until recently was regional manager for CW, said the Hongkong-Canton radio-telephone link had by no means been finalised.