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The Director-General of Telecommunications
29/F, Wu Chung House
213 Queen's Road East
Wanchai
Hong Kong

Re: Second Consultation Paper on Licensing Framework for Third Generation Mobile Services (3G)

Dear Sir,

In case they have not reached you from other sources, I would like to bring to your attention the enclosed from "Computing" a respected and long-established trade publication in the UK. I read "Computing" regularly and it has not shown any anti-auctioning bias in previous discussions of 3G spectrum allocation.

These articles and editorial may throw some light on the 'sunk cost' discussion. Economists may disagree on how sunk costs are regarded by businesses, but this provides some useful background on what those in the businesses themselves may be thinking after having 'sunk' the extraordinary licence fees for 3G spectrum in the UK.

Having initially been swayed by the Jake van der Kamp school of thinking on licence auctions, I now believe that OFTA's original line was correct, i.e. that excessive licence fees will lead to high cost services and slow take-up of this technology and the new business models that it will support.

The massive spending on these licences in Europe now would seem to offer HK an opportunity to be a leader in the 3G field if the market can be established without the expensive purchase of spectrum.

Our company has no direct or indirect financial interest in telecommunications in Hong Kong, nor any clients in this area.

Yours faithfully

Roy Grubb
Managing Director