

A big Government revenue question is hanging out there in the airwaves above your head, one that will become increasingly urgent this year as the stakes go up and an answer must be given.

Is the busy high frequency electro-magnetic spectrum all around us, which has now become the dominant highway of modern communications, a public asset or is it not?

Surely it is one, wouldn't you say? There is only so much it can carry before the signals start to interfere with each other and we already regulate it to make sure this does not happen.

In one way it is just like property. Our Government does not give property away for free to anyone who can propose acceptable development plans until all the land is gone. An exclusive licence to use a defined frequency range is a valuable asset. Why don't we auction it as we do property?

It is a question that now confronts the Office of the Telecommunications Authority (OFTA) with its release of a consultative paper on the granting of network licenses, probably early next year, for the new third generation mobile phones.

These are the networks that will add that whole new dimension to your use of a mobile. The new mobiles will have many times the signal capacity of the existing ones, giving you Internet access wherever you may happen to be.

OFTA's consistent argument is that auctioning these licences could add so much to the cost of operating the networks that the high charges you would have to pay might dissuade you from using them, which does not seem a good way of promoting a high tech society.

They certainly would add a great deal to the cost, judging by recent experience in Britain where bidding for them has now gone through 66 rounds with no contender yet pulling out. To stop now if you are an established operator in Britain is almost tantamount to saying you are getting out of the mobile business. No-one dares.

As a result, estimates of how much the British government can raise from these licences have now risen as high as 10 billion pounds.

Let us put this into a Hong Kong perspective. The United Kingdom's economy is nine times as great as ours and its population 8.5 times as great but it also incurs far more installation costs with new networks because they must cover vast tracts of sparsely populated countryside. Think London and a few other cities only.

Let's make our working ratio 7 times to take account of this factor. This suggests that if the UK government can raise 10 billion pounds from auctioning licences then at current rates of exchange we can raise perhaps HK\$18 billion in Hong Kong.

That would be quite a nice little shot in the arm for our public revenues, wouldn't it, Mr Tsang.

But then what of OFTA's arguments against auctioning licenses?

Your correspondent takes the view that they are misconceived and for two good reasons. The first is that granting them without making the licensees pay their full market value would deprive the public purse of revenues to the disproportionate benefit of people who are already well off.

The market for these new phones is companies and commercially active individuals, not old folks or minibus drivers or industrial workers who already have all they need with the existing models. It would in a small way (and perhaps not so small) be a case of robbing the poor to benefit the rich.

More to the point, however, why should we do this with the airwaves when we don't do it with property?

We have high property rents and prices in large measure because our Government derives the biggest single share of its revenues from property auctions and lease conversion premiums which are assessed and paid up front before developers can even think of starting work.

What's sauce for the goose is sauce for the gander, they say. We have the model and precedent in place for auctioning the airwaves. Let's have some Government consistency then about these things.