

An innocent little announcement appeared in this newspaper yesterday, one that our telecommunications regulators would do well to keep an eye on in case it develops into something less than innocent.

Our three largest mobile phone operators, Cable and Wireless HKT, Hutchison Telecom and SmartTone Telecommunications, have got together to adopt the same certified security system as part of a technology co-operation alliance.

It will enable subscribers to the three services to make electronic payments through their mobiles with personal identification numbers, bank accounts and signatures encrypted through a common standard

Superficially there does not seem to be anything wrong with this. Why not have common standards? Clashing standards plagues so many high technology applications after all.

But think about it. It will not quite be a common standard. Only three operators will have it and the largest two of those three, HKT and Hutch, are controlled by Mr Li Ka-shing and his family or will be if the sale of HKT to interests controlled by Mr Li's son Richard go through.

Too bad for you if you are signed up with Sunday or any of the other operators. They are not in this alliance.

Now think a little bit further into the future. The three are already considering other m-commerce applications and there will be some very big opportunities here in a year's time when third generation (3G) mobile phones are introduced.

These high capacity phones will allow you to link directly to the Internet with faster access than you can now get with your land line phone at home and with none of that jerkiness you currently get in video applications. The possibilities are enormous.

The 3G licences have not yet been awarded but the authorities have already announced that they want to give them away for free although bidding for these licences in Britain has already reached Sterling 22 billion.

Adjust for differences in the size of economy and this would equate in Hong Kong to a value of about HK\$35 billion.

You can count on it that the three who have formed the alliance are frontrunners for 3G licences. Just think of the profits they will be able to generate if they not only get these licences for free but have set up their own common standard to dominate the market in m-commerce applications.

It could be a local equivalent of the boom Microsoft enjoyed when it established the operating standard for personal computers with Windows – all very innocent at first but with the potential to become a heavy-booted giant stomping on users later.

There is only one way to go here. We have already adopted the rule that the companies dominating land line telecommunications must make their networks available to other service providers for a fee that the Government controls.

As the chart shows, the number of mobile phone subscribers has now exceeded the number of telephone lines we have installed. We are at a stage where the two, land line and mobile, should be put on the same basis of operation.

Let the alliance form its common standards and its m-commerce applications. When it has done so the authorities should require that access be given to all mobile network operators for a fee that allows the alliance to recoup its investment cost (very little) but not much more.

Better yet, let's not give the 3G licences away for free. Bidding for them would encourage our smaller operators to bring in bigger international partners who would not tolerate a nascent cartel in mobile phones.

The way we are going now threatens to tilt a level playing field heavily in favour of the big three.