

When hammering in a nail, it is generally a good idea to hit that nail in the same place with the hammer until the nail goes in.

The nail in this case is the one that needs hammering into the idea that we should give away possibly \$35 billion of public assets in the radio spectrum for third generation (3G) mobile telephones.

It still needs hammering because the misconceived notion that network operators will automatically pass their costs on to subscribers if we auction 3G licences will just not go away.

But let's go at it from a different tack today. It is possible that our Office of the Telecommunications Authority (Ofa) may be getting a somewhat one-sided view from the Radio Spectrum Advisory Committee it has appointed to advise it on the use of the spectrum.

There are 22 members of this committee headed by two Ofa representatives and here is a partial listing of the corporate affiliations of the others: Cable and Wireless HKT CSL, Hutchison Telephone, Mandarin Communications, New World PCS, Peoples Telephone, SmarTone, New T & T Hong Kong, Cable and Wireless HKT (again), New World Telephone and Hutchison (again) Global Crossing.

Then we have industry association members, a Civil Aviation Department representative (don't want pilots hearing the wrong voice), a policeman and finally, to represent the public, three individuals listed as "ad personam" along with someone from the Consumer Council.

It is notable first of all that although we have elected legislators to represent the public none of them are on this committee.

It is a typical government committee - lots of people with an axe to grind balanced with a few who could not tell an axe from a grindstone and a dearth of independent professionals who have made a career of understanding the business on which they are asked to give advice.

All one can say for it is that at least the axe grinders are directly involved in the business. The 2006 Asian Games Bid Committee in contrast has 23 people, all of whom should have a fine time flying around the world for the next few years, but you look in vain on the list for our Olympic gold medallist, Lei Lai-sun.

Perhaps she just doesn't have the credentials - not a member of the Hong Kong Club, you know. She's better known for her uncle Lai-gun's Windsurfing Club on Cheung Chau where she used to serve your correspondent chips and beer many years ago and that's no credential at all. Can't have her bringing down the tone.

Let's not get too far off the track, however. Your correspondent cannot tell you what advice all these industry advisors have given Ofa on 3G mobiles but let's guess that they don't like auctions. Would you in their position?

So let's have a professional view on this matter from the UK government in a submission to the European Union on why it chose the auction route.

"The UK notes the criticisms of auctions that have been advanced, in particular the contention that the cost involved in acquiring a licence through auction will reduce the readiness of telecommunications operators to invest in networks and lead to higher consumer prices.

"The UK does not accept this assessment. The pace of roll-out of services will be determined by the competitive situation in the market and will, in any event, have to comply with licence conditions.

"Other things being equal, an operator who pays a substantial sum for the use of radio frequencies will wish to roll out services quickly and maximise its commercial return as quickly as possible.

"Nor does the UK accept that auctions will lead to higher consumer prices for services, provided that a sufficient number of licences are auctioned to ensure the existence of a competitive market. In such conditions, the level of prices will be determined by supply and demand rather than producer sunk costs.

"In other words, the amount paid at auction will have little or no effect on prices charged to consumers in a competitive market."

Enough said?