

A recent letter to the editor raises a key question about auctioning third generation mobile phone licences.

Reader Ross Milburn contends that while proposals to auction the radio spectrum sound logical they may constitute a big swindle.

“Radio spectrum’ is really just a measuring system for electromagnetic energy,” he says. “The actual energy itself, produced by electricity, is the property of mobile phone operators and is paid for by their subscribers.

“Thus, in auctioning radio spectrum, the Government would really be arbitrarily taxing entry to the business of operating mobile phones, even though phones are a basic necessity of a modern society. There would be outrage if the Government taxed entry to footwear manufacturing or the baking of mooncakes, so why should we accept a tax on mobile phones, which are of critical value to the development of Hong Kong as a society based on advanced information technology?

Fair question. What can we legitimately treat as a public asset and what should we treat as private property in which the Government has no business?

Your correspondent is an ardent proponent of limiting government’s role to the minimum and he certainly agrees that the Government does not own his voice when it is being carried by electromagnetic energy.

But let us compare like with like. He also regards his feet as still his own when he goes for a walk in the country parks. Yet does that say that the use of the country parks by a private individual makes the country parks a private asset?

We all agree that they belong to all of us and make a distinction here between public ownership and private use, the same distinction that needs to be made about the spectrum.

Your voice is carried over it (that’s walking along the trail) but the space through which it passes still belongs to us all.

Government does not have the title deed to prove it. There was no Eleventh Commandment saying the airwaves are a public asset. There was also not a twelfth one saying that the ground over which they pass is public asset but who would go to court to challenge the Government’s right to sell land on that reasoning?

Mr Milburn argues that Government should not tax use of phones as they are a basic necessity of modern society. It is the same reasoning, however, that we employ when we argue that we should tax use of land.

Homes are a basic necessity in limited supply, their prices reflect not their costs but the demand for them relative to this limited supply and we do not think that we should allow a few individuals to extract all the enormous value between cost and price for themselves alone. We tax it so that we can all share it.

It is not like shoes and mooncakes. Manufacturers make more of these if demand goes up and then prices come down again. Our land area, however, is limited absolutely and we are getting no more of it.

The capacity of the spectrum is similarly limited. We all use it and none of us can claim to have made it and therefore have privileged rights to it. If it is now to generate money then let us all share the proceeds by taxing it.

Think of the country parks analogy again. We are about to grant five entities the right to charge people for walking along trails that these people themselves own and we have a fixed limit to how many people we can allow on these trails at any one time.

When that limit is reached one sunny winter holiday how much do you think the five entities will raise their fees to hikers who have freshly arrived?

Perhaps it is possible to come up with some scheme that limits these fees on an equitable basis and gives us the excess over the cost of maintaining the trails.

Don’t count on it however. These sorts of schemes never work for long. We’ll be the victims of exactly the sort of swindle that Mr Milburn fears we may see from auctioning.