

Submission for the Consultation on Licensing Framework for Third Generation Mobile Services

Name / Organization: Stephen Brown

Date : 5 May 2000

Dear Sir,

The comments you made on RTHK on the suppression of group 3 gsm pricing, which you would design to provide a "low cost" service is, once more, economic nonsense. Auctions extract the value of the spectrum, They do nothing to the operating cost base. This point has been re-iterated in letters to The Financial Times once more this week. One letter described your type of view as "being economics in reverse".

At the same time that Donald Tsang is pushing for user pay principles you are trying to interfere in the market pricing mechanisms. First of all, if this a global issue, we can rest assured that nearly all free market economies are auctioning. I am sure you are aware of the involvement of The European Commission in being called upon by Deutsche Teleecom on make auctioning a legal requirement in Europe.

Secondly, if it is a global business why are you merely obsessed with Singapore ? It is likely that subsidies, via artificially depressed prices for mobile access, will simply cause suppliers of the goods to charge more, or there will be higher prices charged by the web access ISP. Your point is silly. You simply provide a price at below the economic equilibrium point which causes someone else in the chain to be able to profit.

If Singapore wishes to artificially subsidize users of their spectrum that is their choice. The impact of this on their position in global e commerce will be infinitesimal.. It will provide a "soft" environment which will inhibit innovation, and the market focussed need to create value which an auction does..They have a long and unsuccessful history of government directed industrial policy. We do not need to follow an economy trying to find nirvana in socialism, and believing in state directed coercion instead of the promotion of liberty and choice. Successful economies which have full employment and startling innovation do not follow the Singapore model.

If pricing is a global competition issue, as you claim, presumably operators in Hong Kong will price

in the light of global demand for the Hong Kong based spectrum. If demand is high, and prices are high, there will be great efforts to use compression technology to extract this value. If demand is low then prices will be low. If high prices and compression technology still do not moderate prices we have the existing spectrum for group 2 GSM and PCS available. This can be used for voice traffic and the new spectrum can be used for data on tri spectrum handsets. Anyway, Hong Kong has a key global advantage in not having to reserve military spectrum.

Nor is there such a thing as a global service; UMTS is no such thing. The US used their spectrum for small parcel auctions to PCS operators. Which is why Motorola have developed 3.1 Mbps on the existing GSM spectrum. See. No one can see the future, so let us auction. The market will look after itself.

Trust in the market, it will do a better job than any individual.

stephen brown