



BY FAX & E-MAIL

Office of the Telecommunications Authority
29/F., Wu Chung House,
213 Queen's Road East,
Wanchai,
Hong Kong
Attention : Senior Telecommunications Engineer (Technical Regulation)2
Fax : 2803-5112

18 June 2004

Dear Sirs,

Licensing of Mobile Services on Expiry of Existing Licences for 2nd Generation Mobile Services – Analysis of Comments Received, Preliminary Consultation and Further Consultation (“Second Consultation”)

We refer to the Second Consultation and write to submit our views.

We are in the business of developing and providing software applications in the education industry. We develop platforms and ancillary applications which enable delivery of various types of educational contents. Our present emphasis is on applications on platforms for personal computers but we have plans to expand our business to mobile data applications. We have, in fact, embarked on the development of certain mobile data applications that interface with educational platforms.

We monitor the pace of our venture into the mobile internet and data market very carefully in view of the fact that the level of mobile data up-take in Hong Kong is low and future trend of development in that market is by no means clear. We are glad to see that it is the TA's objective to stimulate the development of an advanced mobile data market in Hong Kong, but we very much doubt the effectiveness of the means proposed in the Second Consultation. In fact, the proposed introduction of a new technology and a fifth 3G licence smacks of a quick-fix market intervention that is proposed as a matter of convenience rather than as part of a carefully thought-out



pan-governmental approach towards promoting information technology in Hong Kong. The introduction of a new technology will add uncertainties to an already uncertain market and may, in fact, delay the development of the mobile data market in Hong Kong.

Reasons for Low Mobile Data Penetration

Mobile data penetration is low in Hong Kong because (i) there is a lack of local mobile data contents and applications and (ii) the critical user mass is still in the process of being formed in that market. The TA's proposals in the Second Consultation do not seem to properly address these issues.

Importance of Local Contents and Applications

The TA seems to be of the view that, by introducing to Hong Kong the CDMA 2000 technology, the mobile data contents and applications already developed in Korea and Japan can be readily ported to Hong Kong and that as there would then be an abundant supply of such contents and applications, the mobile data market in Hong Kong would be kick-started.

We, as an application provider, are firmly of the view that the logic of the TA's said apparent reasoning is flawed. Most of the mobile data applications and contents developed in Korea and Japan are specifically developed to cater for their respective local requirements and tastes. Such applications and contents would not be readily portable to Hong Kong without substantial efforts having been spent on translation and localisation. There are stocks of extensive WCDMA contents and applications developed in Japan which "could" be ported to Hong Kong for use under the WCDMA standard here. The fact that no significant porting to Hong Kong of such contents and applications has occurred so far is proof that the translation and localisation efforts and costs involved renders reliance on overseas developed contents and applications not feasible.

The key to developing a healthy mobile data market in Hong Kong is, therefore, "local" contents and applications developed locally. Despite the importance of local contents and applications, not only have local content and application providers been



given essentially no governmental support, they are also seldom invited to participate in the formulation of government policies.

A Counter-Productive Uncoordinated Approach

The government has done little by way of a coordinated approach to stimulate the growth of the mobile data market. There may be the odd isolated attempts to stimulate growth by individual government departments, but, without proper coordination among government departments to formulate and implement a carefully thought-out approach, such attempts often become irrelevant and even counter-productive. The proposed introduction of the CDMA 2000 technology is an example of a probably counter-productive attempt to stimulate growth in the mobile data market in Hong Kong. The introduction would give rise to more uncertainties and render it more difficult for an application provider like us to decide on how much efforts and resources should be allocated to respectively the existing technology and the technology proposed to be introduced.

The uncertainties would not arise from technological issues such as the relative superiority of the competing technologies. This is because WCDMA and CDMA 2000 can both serve our present and future purposes. In fact, the choice of technology is probably irrelevant to the growth of the mobile data market. That irrelevance is demonstrated by the fact that Japan achieved a very high mobile data penetration at the time when only 2G and 2.5G technologies were available.

The uncertainties would, instead, arise from the fragmentation of the market as it would be difficult to gauge how the respective technologies would carve up the market. Also, the said irrelevance of the choice of technology would make it even more difficult to predict how the mobile data market would be divided between the technologies.

Accordingly, in response to the introduction of a new technology, content and application providers like us may have to delay existing projects for applications based on the existing WCDMA standard as they adopt a "wait-and-see" approach. Such an outcome could ultimately delay the achievement of scale by content and application providers and the formation of a critical mass of mobile data users.



Instead of quick-fix isolated attempts to stimulate growth in the mobile data market, there should be, if the two said reasons for low mobile data penetration in Hong Kong are to be properly dealt with, a pan-governmental and inter-departmental approach to raise the desire of the public in Hong Kong to embrace information technology in general and mobile data in particular. As the general public become more IT/mobile data-literate, a critical mass of mobile-data users will be formed more readily and an environment more conducive to the local development of contents and applications will, in turn, come about naturally.

Situations in Education – An Illustration of a Need for a Coordinated Approach

Information technology in education and, in particular, learning through the internet (“e-learning”) is of particular interest to us. E-learning is clearly a worldwide trend and there are ample mobile data opportunities in e-learning that content and application providers like us would like to exploit. We have, for example, developed proto-type mobile data interfaces for e-learning platforms. However, our venture into that area has been somewhat half-hearted. That is not because of problems with the existing mobile technologies in Hong Kong but, rather, because of the uncertainties in demand for mobile data service in e-learning and, in view of the Second Consultation, uncertainties as to which technical standard to adopt.

The response of Legislative Council member Mr. Sin Chung Kai to the recent consultation exercise by the Education and Manpower Bureau (“EMB”) on “Information Technology in Education – Way Forward” refers to studies by IBM and ERU released last year which rank Hong Kong 19th in terms of e-learning capability (behind South Korea, Singapore and Taiwan) and 20th in terms of application of e-learning in education. We blame Hong Kong’s low ranking on the lack of coordination between government departments in promoting e-learning in Hong Kong. We are not aware of any concerted efforts by government departments to promote e-learning in Hong Kong, not to mention promoting Hong Kong as an e-learning hub for the region (a status which Hong Kong certainly has the potential to acquire). This is a view shared by legislative council member Mr. Sin Chung Kai who, in his said response to EMB states that (i) in the past 5 years, the EMB and the other technology departments have not been able to coordinate with each other, thereby



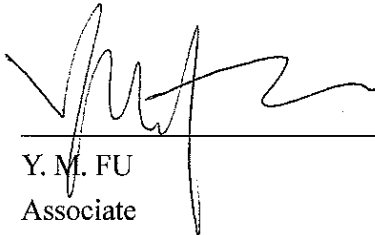
giving rise to policy breakdowns; (ii) there are too few opportunities for participation by industry players, thereby restricting information technology from realising its full potential in education and wasting opportunities to develop e-learning in Hong Kong and (iii) the EMB should coordinate with the Communications and Technology Branch, the Innovation and Technology Commission and the Information Technology Services Department to develop technologies and install communication infrastructure with a view to compensating for the technological inadequacies of the education industry.

We agree with Mr. Sin and would propose that OFTA too participate in the proposed inter-departmental coordination. We are confident that, through such coordination and dialogues with other departments, the TA will come to realise that the problem of low mobile data penetration is not one that can be solved by the simple introduction of new technologies but, rather, one of a general lack of enthusiasm to use mobile data which government departments should put their heads together to promote. In this regard and insofar as mobile data in e-learning is concerned, we would recommend that the Government (i) funds research into the various ways, including by way of mobile data services, through which e-learning can be more widely adopted (such as by promoting life-long learning through e-learning) and (ii) considers giving assistance, including financial assistance, to small/medium size content and application providers to enhance and promote the local development of local contents and applications.

We know that the implementation of such recommendations is not strictly within the scope of the TA's responsibilities, but the TA will certainly have a role to play in connection with such recommendations in the proposed inter-departmental co-ordination.

Yours faithfully

For and on behalf of Easeful Strategic Ltd



Y. M. FU
Associate