

Senior Telecommunications Engineer (Technical Regulation) 2

18 June 2004

Office of the Telecommunications Authority
29/F Wu Chung House
213 Queen's Road East
Wanchai
Hong Kong

Dear Sir/ Madam,

MAS Technology is a content provider serving mobile telephone operators around the region. In relation to OFTA's second consultation report regarding the licensing policy for mobile services, we would like to raise our comments as follows.

First and foremost, if OFTA is thinking of adding one more licensee to create healthier competition in the market, then we'd urge OFTA to rethink again – with six GSM/CDMA operators and four 3G operators in Hong Kong already, we virtually will have in total 15 networks in Hong Kong. In our opinion, the relatively small Hong Kong market has too much competition already. More operators do not equate with healthier competition.

What we see as more urgently needed from OFTA is its governing role on the industry. Among the operators we provide contents, some are fairly opened in selling our contents to end-users but there are a couple who take interests in developing their own contents and adopting a stonewalling approach towards the small and medium CSPs like us. Advanced nations such as Japan and Korea have clear rules governing the telecom industry defining the scope at each levels of the supply chain. In Japan and Korea, or even developing country like mainland China, operators are classified solely as network providers and all our contents are accessible by end-users through their platforms. This way, end-users will get the widest choice of contents. Unfortunately, this is not the direction where HK's mobile data industry is heading to. The competition is merely on voice at this point in time.

Secondly, the types of contents we provide include network games, ring tones, wall paper and the likes, the type of mobile purchase involving micro-payments in the \$10-20 per unit range, and such amounts are most suitably be included in the subscribers' bills. So a healthy structure should be very clear cut – we get easy access to post our contents for mobile sale through the operators, end-customers make their own mobile purchase decisions, they get billed through the operators, operators get their commission and we get our fair share. In a nutshell, we have to rely on the operators to post our contents and to bill the users as only they have the mobile interface platform and the billing relationship with end-users, not us.

Without proper governing rules in Hong Kong, our destiny is by-and-large controlled by the operators. In the extreme case, for those operators who are taking up our content provision scope as well, we can't even offer free contents for users to download for trial purpose as these operators can simply block us from doing so.

And because operators have such large say in Hong Kong, we are spending enormous time and resources on selling to and building relationships with each operator. One more operator means more resource spending but with likely no new business generated at the end of the day. The end market size does not change.

More critically is that all of these are creating extreme burden on our costs. To cut cost, we have recently moved our Hong Kong base to Shenzhen and our peers have been doing the same, not to compete but to survive. There's no question that the quality of staff in Hong Kong is much higher, but most SME-sized CPs are now being pushed out of the boundary. Under the current situation, you are effectively gradually phasing the small CP players out of the market, leaving room for the bigger players only, and this is already happening. We believe that is not the government policy in giving we SMEs a hand in Hong Kong?

More government support to SMEs are needed, not the number of mobile operators!

Yours faithfully,
David Tung
CTO
MAS Technology