



NEC Corporation

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10 June 2004

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

Dear Sirs,

**Re: Hong Kong Government Consultation on Licensing of Mobile Services on Expiry of Existing Licences for 2<sup>nd</sup> Generation Mobile Services issued on 19 March 2004 (*Consultation Document*)**

We have reviewed the Government's Consultation Document and are puzzled by the assumptions being made, particularly as to the reasons for the success of mobile data services in Japan. This is of particular concern to us given our 2G and 3G investment in the Hong Kong mobile sector: we currently hold 5% equity interest in both Hutchison Telephone Company Limited and Hutchison 3G HK Holding Limited.

We make this submission both as an investor in Hong Kong and as the network supplier to the most successful mobile operator in Japan, NTT DoCoMo.

As a global equipment supplier, we also have experience in the development of mobile data technology and services. We are a world leader in the supply of Internet, broadband network and enterprise business solutions. One of our core business domains is mobile Internet, and we provide mobile operators and users worldwide with total solutions for mobile Internet, including handsets, network systems, service platforms and service applications. More than 20 operators from Europe and Asia have placed 3G related orders with us and our 3G joint venture partner, Siemens.

In Japan, we have a strong relationship with NTT DoCoMo, and since the late 1990s, we have been their preferred supplier of network equipment and handsets for both their i-mode service and their FOMA service.

We are of the view that it is not correct to assume that the high take-up mobile data services in Japan is due to cdma2000 technology. The rapid growth of mobile data services commenced on NTT DoCoMo's PDC network and not on the basis of cdma2000 technology. Today, NTT DoCoMo is the most successful mobile operator in Japan, with a market share of approx. 55 %. Its 3G network, FOMA, is also based on W-CDMA technology and not on cdma2000.

There are other more fundamental differences between Japan and Hong Kong which explain why mobile data usage is more widespread in Japan than in Hong Kong, namely: there are a fewer numbers operators in Japan operating in a much larger market-place, there is a higher return on investment in Japan, there are demographic differences and there is a more dynamic applications market in Japan. These real differences between the two markets need to be thoroughly investigated by the Government to address the issue properly.

Clearly as an equipment manufacturer we are keen to promote the roll-out of new networks. However, given the large fixed costs involved in developing a new network, as an investor in Hong Kong, we also believe it is essential that regulators ensure a sustainable market environment which promotes and protects investment incentives.

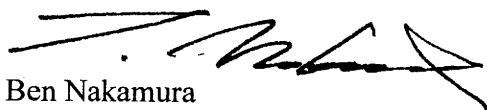
Regulatory initiatives which de-incentivise the current investors, including in particular a policy not to renew licences where operators have not acted in breach of their licence conditions, will be adverse to the public interest:

- operators will be less inclined to invest in their networks during the last half of their licence terms if they fear their licences will not be renewed, which will have an adverse affect on the maintenance and roll-out of cutting-edge networks in Hong Kong; and
- there will be even less investment incentive in the development and innovation of new technology based services.

We are supportive of the Government's aspiration to learn from Japan's success in mobile data services. But if the Government perceives there to be a "data problem" in Hong Kong at present, we would suggest that it further examines the measures taken to promote mobile data usage in other markets of similar scale to Hong Kong, such as in Singapore, rather than simply not renewing one licence and issuing another licence. We sincerely hope that our comments here will be helpful to the Government in formulating strategies and regulations which benefit the telecommunications industry in Hong Kong.

Yours sincerely,

For and on behalf of NEC Corporation



Ben Nakamura  
Executive Vice President and Member of the Board