

**Welcoming Remarks by Mr M H Au, Director-General of Telecommunications  
at the Opening Ceremony of 3G World Congress held in Hong Kong  
on 16 November 2004**

Distinguished Guests, Ladies and Gentlemen,

It gives me great pleasure to welcome you to 3G World Congress and Exhibition 2004. I am particularly glad that so many leaders in the telecommunications industry worldwide have converged upon Hong Kong to share their insights on the critical issues in the development of 3G and other wireless markets.

The rollout of 3G networks worldwide has been later than expected, but it seems that the launch of 3G services has finally reached a turning point. In the past 12 months, 3G networks were activated one after another. Many of the initial teething problems associated with new technologies have been resolved. Operators and consumers alike are gaining confidence on this new technology. But undoubtedly there are still many challenges ahead. In the face of penetration approaching saturation and voice-derived revenue levelling off, operators have to continue to find the data, video and multimedia applications that will raise the ARPU from customers to justify the investment in the 3G infrastructure. Operators and vendors will have to continue to work on the interoperability problems between equipment, both infrastructure and terminals. Technologies that can potentially divert revenue from 3G services are emerging. Operators need to find ways to compete with these new technologies and possibly integrate them into their business so as to turn them from substitutes to complements.

Wireless technologies will not only present operators and vendors with challenges, but also plenty of opportunities. It is not an exaggeration that the world will become “unwired”. I am not for a moment discounting the importance of the wired infrastructure which will continue to play a critical role in the underlying transport. I am just saying that from the users’ point of view, the infrastructure would appear to be “unwired”. Users prefer not to be tethered by a cord to a wall socket even when they are at homes or in the offices. Therefore users will prefer the mobility offered by wireless even though the wireless part is just to enable access to the wired infrastructure. Outside homes and offices, wireless technologies will be indispensable in making the goal of communications “anytime, anywhere” a reality.

The Government will continue to play a facilitating role in the exploitation of these wireless technologies. We shall maintain an environment conducive to the continued investment in our broadband infrastructure, fixed and mobile. We shall maintain a technology-neutral policy. We shall rely on the market forces to determine the technologies that consumers will want and be prepared to pay for. Of course we have to make the spectrum available so that the introduction of technologies with market demand will not be obstructed. Due to spectrum limitation, there has to be a licensing process so that spectrum can be used in an orderly manner without harmful interference. Where feasible, we shall minimise administrative burden by using class licences to permit the use of spectrum. For example, the provision of public wireless LAN services in hot-spots is now licensed under a class licence. We have also taken steps to exempt from licensing the use of the spectrum for radio frequency identification devices. For the use of spectrum which cannot be shared, we have to use individual licensing. We are conducting a consultation on how to renew our existing 2G licences which are expiring in the next two years. We shall announce the conclusion in the near future. We are now planning to conduct a review on making the spectrum available for the next generation of broadband wireless access technologies. We shall continue to monitor the development of technologies and market demand and ensure that our spectrum plan is ready to allow the market to decide the use of the technologies.

We realise that content and applications are important for the growth of mobile data services. The Government has funded the establishment of the Hong Kong Wireless Development Centre so as to provide small and medium sized enterprises with a neutral and central platform for the development, testing and marketing of applications and services on mobile services. The Government will lead by example in the promotion of e-business and e-government applications, many of which will rely on wireless services. We shall continue our policy to promote open access to our mobile networks to third-party content and application providers although we shall intervene only when the market fails. We shall review our regulatory framework to address issues arising from fixed-mobile convergence. With the advent of user terminals which can roam seamlessly between fixed and mobile networks, and wireless technologies which can support both fixed and mobile applications, we shall examine if certain differentiations of regulation based on whether the operator is a fixed carrier or a mobile carrier are still appropriate and sustainable.

I warmly welcome the return of 3G World Congress and Exhibition to Hong

Kong. Hong Kong is eminently the choice to host this important event. Not only has Hong Kong world-class facilities to support conferences and exhibitions of this prominence, Hong Kong itself is a vibrant telecommunications market. The potential brought about by wireless broadband technologies to mobile operators is tremendous as Hong Kong users are accustomed to high-speed Internet access at home and in the office. Over 56% of our homes are connected to the Internet by broadband of speed at least 1.5 Mbps downlink, some reaching 10 Mbps in both directions. Mobile penetration has surpassed 100%. With such a large base of tech-savvy customers, mobile network operators are poised to exploit the revenue potential of 3G data services. One 3G network has been operational since January this year. Another is scheduled to be launched in December. The other two licensed are expected to come on stream in first half of 2005. Hong Kong all along has allowed competition to shape the development of our mobile market. Without imposing any foreign ownership restrictions on our telecommunications operators, we welcome investors from any country into our mobile market.

For more than a century and a half, Hong Kong has served as the gateway to Mainland China. It is well recognised that China has the largest and fastest growing telecommunications markets in the world. The number of mobile phones in Mainland China has reached 320 million, nearly two times the size of the US market. The growth rate in 2003 was 30%. 3G when licensed in Mainland China is bound to open up huge marketing opportunities. Conferences and exhibitions in Hong Kong will provide excellent opportunities for networking and business development to exploit the immense China market. For this reason, the ITU has chosen Hong Kong China to host the ITU Telecom World 2006 in December 2006. This is the first time that this flagship event of ITU is held outside of Geneva since its inception in 1971.

I hope that you will have a fruitful participation in this 3G World Congress and Exhibition in the next four days. Please do not forget to take some time outside the conference to sample the delights and enjoy the hospitality of Hong Kong. Finally, I look forward to your return to this world city to participate in future 3G World Congress and the ITU Telecom World 2006.

Thank you.