

**Representations from “John Cheung” in response to Consultation Paper on
“Application for Prior Consent under Section 7P of
the Telecommunications Ordinance in respect of the Proposed Acquisition of
CSL New World Mobility Limited by HKT Limited”**

**由「John Cheung」就
香港電訊有限公司就建議收購 CSL New World Mobility Limited
按《電訊條例》第 7P 條申請事先同意諮詢文件
所提交的申述**

Dear Dr. Siu,

In response to your public consultation, I am writing to OBJECT the acquisition deal proposed by HKT to merge with CSLNW into HKT mobile.

In summary, it will be greatly reduced the competition in HK that leads to increase the retail pricing offers that highly affect the citizens in HK and further damage the trust and reputation to the Bureau and the Government from HK citizens.

My findings are as follows and they are strictly confidential:

1. 1. If this happens, after merged, HKT will get closed to 50% market shares of HK “Postpaid local mobile service”, and dominant the mobile market reduce competition and drive mobile service fee up, details are as below:

- Total number of postpaid subscribers in HK: ~6.8M postpaid subscribers, which most of the HK citizens are using postpaid mobile service
- HKT: ~1.06M postpaid subscribers (information from their annual report 2012)
- CSL – 1010: ~300k postpaid subscribers
- CSL-one2free: ~1.2M postpaid subscribers
- Joint Venture by CSL and Telecom Digital Mobile Ltd (TDML) – New World Mobility (NWM): ~700k postpaid subscribers
- Total no of postpaid subscribers after CSL merged to HKT: ~3.26M postpaid subscribers (equals to around 48% of total HK Postpaid market shares)

The “Approximate Market Share by Subscribers” stated in the acquisition and merging document is only showed the “total number of subscribers “ of the operators, which “prepaid service’s subscribers” are also included, which prepaid service is mainly used by the domestic helpers or short stayers in HK, the business nature of prepaid is very volatile and price sensitive, so the industry usually not consider this as importance as Postpaid service. That’s why it stated only 30+% subscribers market share after the merge, however, the truth is closed to 50% Postpaid HK mobile market shares after the merge, which highly affected HK Citizens.

While most of the HK Citizens are using postpaid service, therefore with the over 48% market shares, HKT could totally control the market price or offer after the merge. It will become a dominant operator in HK and make much lesser competition in HK that highly affect HK citizens.

Inside the mobile industry, to increase the retail offers is the hot topic in the past one and half years. You should find that there was a price increase during the launched of iPhone 5s and Note 3 in Sep 2013, which all of the MNO raised their rate plan price as well as withdrawal of unlimited data usage offers (4G/3G), which it was a sign that they are urged to increase their prices and reduce their offer entitlements in order to increase their revenue and profits.

Even the anti-monopolized law (sorry, I am not sure the official name) is not yet set up in HK, from my lawyer's friend, they said Mr. So has shared to them that an operator obtained over 25% of market shares is already claimed as a dominant player, which the regulator should highly regulate this player's pricing activity as well as impose necessary rules and regulations to control their pricings / offers. E.g. before the fully deregulated of IDD market before year 2000, HKT IDD retail offers are regulated by OFTA as they were having over 25% HK IDD market share at that time. With the government and OFTA continuous pushing the deregulation, per minute IDD call to frequent hot countries dropped to near 10 cents per minute after deregulation, which it greatly helped HK Citizens to save their money on long distance communication as well as created a good business environment for MNC set up their Asia headquarters in HK because of the freedom and low cost of communication / OPEX. The volumes of outbound IDD minutes were increasing sharply year-on-year from that point until now! This is a good success story for OFTA/Government that deregulates the market and invites more players to make fair competition that eventually lower the price and benefits the HK Citizens and develops HK as an International City!

2. 2. If the deal happens, within a year after this merging, by roughly estimation, it will have at least 1.5k HK citizens lose their job and they will be hardly to get a job again, it is because:

- Currently, CSL is employing 1.5k staff and half of them have been working for CSL over 10 years. A lot of them have reached age 40-50 and having relatively higher income (middle class HK Citizen that have been supporting the Government by paying relatively higher amount of Tax every year) that they are most likely would be laid-off within the 1st year after the merge. PCCW/HKT will not continue employ them as there are duplicate of positions and more likely they will keep their existing staff after merged. So, it will make at least half of them lose their job and damage their family as well as the harmony of the society in HK.

- In addition, 60% shares of New World Mobility Limited (NWM) which is a Joint Venture Company between CSL (60% shares) and Telecom Digital Mobile Limited (TDML) (40% shares) is also included in the acquisition deal, which it will also create a big impact to its targeted customer segment and the staff working for TDML:

o NWM is currently targeting to the low ARPU segment, which they were the pioneer to provide low price unlimited data usage offer (\$72 per month 384kbps data speed unlimited data usage plan) to the low end market segment in HK. From they launched this low price unlimited data usage plan on Dec 2011, they have gained significant market shares and drove the competitors (Smartone, 3HK and CMHK) to offer the same low price data service to the low end market. Roughly estimate there are total 1M HK citizens are using this low price rate plan, which most of them are low income families and they are highly benefits from this low cost rate plan as it brought them a new life by providing them to browse the internet / Apps, see the world via their mobile phone at very low cost. If this deal happens, this rate plan will be eventually disappeared as the players in the market have been blamed CSL/NWM launched this rate plan that drove down the ARPU and the potential higher revenue and profits that they could earn!

o Furthermore, TDML's role in this JV is using their existing Retail, Customer Service, IT and Accounting resources to help CSL to run the NWM's business and CSL only provides the network service to NWM. Therefore, if this deal happens, besides 1010, of that they will continue to serve the service in HK, there are two more brands HKT mobile and NWM that these two brands would be most likely terminated

o If it happens, TDML will cease their whole retail business operation in HK since NWM's revenue to TDML is the biggest revenue stream for TDML and their own core business (paging) is on substantial declining trend, which they will not able to afford to continue to operate their business with their current size by without NWM revenue's support. TDML is currently employing ~500+ staffs in HK, after the deal, the staff will all lose their job and hardly to find a new job in the market since 90% of them are having lower education and have been working for this family-owned company over 20+ years.

3. 3. From the document that showing Market share by Revenue, it should be not very accurate. In the industry, we are more consider "Mobile Service Revenue" means revenue generates from the mobile service (no handset selling revenue included). CSL should have closed to HK\$6B mobile service revenue which should be very similar to Smartone and 3HK, which the mobile service revenue from Smartone is HK\$5.7B found from their recent annual report. For 3HK, they didn't clearly show their mobile service revenue, but their postpaid mobile service revenue is around HK\$5.3B, therefore, the market shares in terms of % should be similar for three companies.

In reality, only CA equipped with the authority to stop this disaster happens! This deal will be highly affected the harmony of the society, fair competition, "International city" reputation of HK in the world, 1.5k or more HK citizens lose their job and damage their family and ruin their life, further create bad reputation to CA and the Government and create monopolized for the HKT or the Lis family!

I hope you will seriously consider the fact I stated above and disapprove this deal, it is hurting HK, hurting the citizens!

Regards