



Hutchison Telecom

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Dear Sirs,

Public Consultation on the Way Forward for Competition Policy in Hong Kong

Hutchison Telecommunications International Limited is a leading global provider of telecommunications services. We currently offer mobile and fixed-line telecommunications services in nine markets throughout the world (including Hong Kong) in countries with economy varying from large to small. We are listed in both the New York and Hong Kong Stock Exchanges.

Our Hong Kong subsidiary, Hutchison Telecommunications (Hong Kong) Limited, has separately submitted to you its comments on its experience with the existing Hong Kong telecom sector competition regulations.

As a company with substantial experience in international operations and overseas investments, we would like to take this opportunity to provide our views on competition regulations in economies that are affected by market conditions beyond their boundaries. In those economies the complication lies in defining the relevant market because the economy is largely dependent on its political and/or economic hinterland. In the case of Hong Kong, the issue is how to define the market in light of the convergence of Hong Kong market with the Mainland's.

Since 1997, Hong Kong has continued to be the favoured place for Mainland companies to establish their first international footprint. Many of them have listed on the Hong Kong Stock Exchange. Many have also directly participated in the Hong Kong market via its own operations or through mergers and acquisitions. Major Mainland telecom operators China Mobile, China Unicom, China Telecom and China Netcom have done so.

The active and continuing participation of Mainland companies in the Hong Kong economy is a natural migration towards the future integration. The Hong Kong market is more and more entwined with the Mainland market in complex ways.



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Many of these Mainland companies have enormous financial capability and propensity to expand. As in the case of multinationals like us, these Mainland companies would have commercial operations and interests in various parts of the world and are already of sizes that allow economies of scale. One would certainly contemplate that many of these Mainland companies that have operations in Hong Kong would become key players in the Hong Kong market and strong competitors to the local companies.

In terms of competition policy, the above phenomenon compounds the problems of defining the relevant market.

Firstly, because of the accelerating pace of the integration between the economies of Hong Kong and the Mainland across all the sectors, a competition regulatory regime that only focuses on local conditions (rather than those of the broader market that includes the Mainland) may overlook some important economic factors in assessing the effects on competition of a given conduct and may not accomplish a proper analysis of all the relevant market conditions.

Secondly, there is no doubt that a hitherto "dominant" market player in the Hong Kong market is small when compared with industry leaders on the Mainland. With the presence of these industry leaders, defining market dominance by reference to Hong Kong may not be entirely appropriate for the purpose of competition analysis. It would give rise to great complexity in implementing and enforcing the relevant regulations.

These factors bring into question the relevance or effectiveness of any local competition regulations if they do not "converge" with Mainland legislation.

We do not find that the Consultation Paper has addressed these important issues accordingly suggest that these issues be given very careful consideration by the Government.

Yours faithfully,

For and on behalf of
Hutchison Telecommunications International Limited

Ting Chan
Corporate Development Director