



The Regulatory Reform in Telecom Sector from China

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Agenda

- **The progress of regulatory reform**
- **Outcomes of the regulatory reform**
- **Experience and key learning**

1. The progress of regulatory reform

- **Reform of government institution**
- **Market structure adjustment**
- **Legal system establishment**
- **China telecom industry in transition**

1.1 Reform of government institution

- **By 1998 , MPT regulation/operation function**
- **From 1998 MII established, separated regulation and operation**
- **By 2000 PTAB (provincial telecommunication administration bureau) set up , establish the regulatory agency geographically**
- **Two levels, direct instruction structure system formulated**

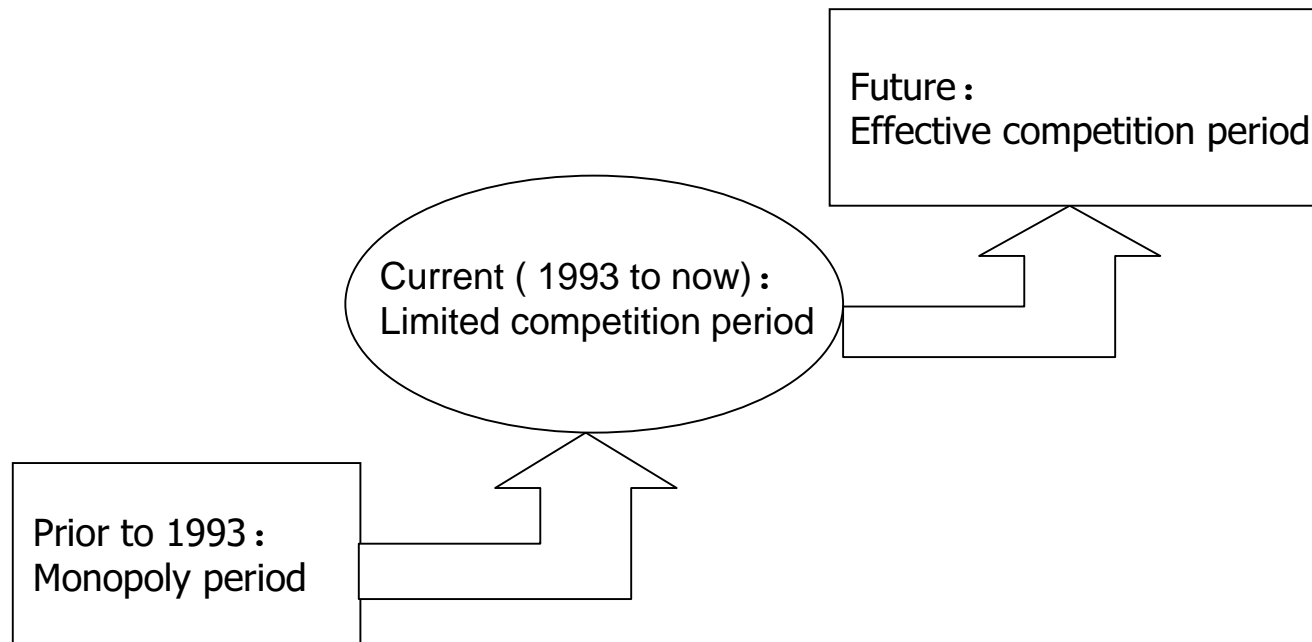
1.2 Market structure adjustment

- **By 1993 , monopoly market**
- **1993-1998: value-added service market open**
- **1998: separation of government from enterprise, entities recombination, monopoly abolished, competition introduced**
- **2002: optimize market structure**
- **Goal: effective competition**

1.3 Legal system establishment

- **2000: Telecommunication Regulation issued by State Council**
- **2001: Regulations for Foreign Investment issued by State Council**
- **A series of rules issued by MII**
- **Working on drafting “ Telecommunication Law”**

1.4 China telecom industry in transition



2. Outcomes of the regulatory reform

- **Initial formation of competition pattern**
- **Sustained, stable and rapid development**
- **Quality of service improved greatly**
- **A prominent role in national economy and social informationzation**
- **Problems encountered in regulatory reform**

2.1 Initial formation of competition pattern

- **6 basic service enterprises**
- **4000+ value-added service providers**
- **Rapid growth of mobile service, prominently competing effects on fixed communications**
- **Strengthen capability and activeness of developing new services for enterprises**

2.2 Sustained, stable and rapid development

- **No. 1 in terms of both fixed telephone subscribers and mobile phone subscribers in the world**
- **By July 2002, fixed tele-subscribers: 201 million
mobile subscribers: 180 million
Internet subscribers: 41.7 million**
- **Penetration rate: 8.11% in 1997 to 30.22% in 2002**
- **Huge market potential, better prospects**

2.3 Quality of service improved greatly

- **Service prices going down continuously**
- **Advanced technology and network capability**
- **Enterprises pay more attention to service quality**
- **Satisfaction rate increasing to telecom service**

2.4 A prominent role in national economy

- **Telecom: fundamental, leading and strategic industry**
- **Three times growth of GDP in recent 10 years**
- **Booster to the national economy and social informatization**
- **Lessen digital gap between eastern area and western area by setting up basic networks**

2.5 Problems in regulatory reform

- **Power and responsibility of regulator asymmetric and lack of the capability of enforcing the law and effective measures**
- **Unfair & vicious competition occurs frequently**
- **The synthetic strength of the enterprises remains to be improved**
- **Universal service mechanism has not yet been set up**

3. Experience and key learning

- **Understand the basic laws and characteristics of telecom development**
- **Clarify the purposes and principals of regulation**
- **Interconnection focused**

3.1 Basic laws of telecom development

- **Traditional service sector**
- **Network-based industry (infrastructure)**
- **Gradual and steady growth, low profitability**

- **Abide by the laws when making policies**
- **Gradual and steady acceleration**
- **Avoid to spoil things by excessive enthusiasm**

3.2 Clarify the purposes of regulation

- **Protecting competition is the principle of regulation**
- **Purpose of regulation is to maintain the healthy development, and provide supports to national economy by encouraging effective competition.**
- **Balance between competition and over competition**

3.3 Interconnection focused

- **Interconnection -- difficult problem of the world
interest related hard to define
evidence uneasy to collect
complicated reasons behind interconnection issue**
- **Establish interconnection quality supervision system**
- **Object to unlawful competition, ensure market order**

Thank you !

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