

The Policies Suggestions from the Paper China IP Network Cost Proxy Model and Its Applications

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The paper describes the construction and procedure of INCPM which has provided evidence that the two major IP services: voice and broadband access are still with the characteristic of natural monopoly. The reality, the theory and the simulation data (empirical), demonstrate that there is a cross-subsidy from the voice service to the broadband access.

Unfortunately, due to the homogeneity and substitute competition of the voice service in China, the price is going down continuously. That makes the cross-subsidy difficult to continue, but universal access of broadband need vast capital! Although both the scale of telecom networks and the number of subscribers in China are number one in the world, the gap is getting bigger and bigger, not only at the penetration but also at the access rate and quality of the broadband service, compared with the developed countries.

As China is marching toward a well-to-do society for all the people, the broadband access is the infrastructure of national informatization, it should be the next target of the ubiquity service of China telecom industry. Whether it is subsidized by the government finance? Or is it done by the internal cross-subsidy of the enterprises? This will depend on the growth of the profitability of the telecom operators during its transformation. But we have to pay attention to that transformation of the telecom operators is being from the monopolistic and rigidity demand service, the voice, transferring to the open, entertaining and flexible demand services. It is becoming more and more difficult for the telecom operators to find profitable models. So, there may be a need for the subsidy by the government finance. In order to lighten the burden of the government finance and to promote the universal broadband access to fill in the digital divide in China, the cross-subsidy is necessary; the floor price protection of voice service is needed which can be executed by the inter-network voice access fee; therefore, the new entrants of telecom operators should take liability of the universal broadband access.

So, to summarize our policies suggestions are:

1) To promote universal access of broadband services in China, to ensure the incumbent operators have capital to do this target, the floor price protection of voice service is needed. The floor price protection can be executed by the soft-hand supervising, i. e. only working-out and supervising the inter-network voice access fee, and supervising the discrimination pricing of voice service;

2) The new entrants of telecom operators should take liability of the universal broadband access not only in cities but rural areas. The government finance is also needed for demonstrate projects in mountain areas and poverty areas.