

Current and future regulation challenges for The Chinese Telecommunications sector

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Overview of the paper

- *Regulation literature review*
- *Chinese telephony historical background*
- *Recent regulatory practices in china telephony*
- *Regulatory challenges and recommendations to the Chinese telecom sector*

Regulation literature review

- *Market failure requiring government regulation*
- *Government failure calling for deregulation*
- *new era of re-regulation*

Chinese telephony background

From MII to MIIT

- *March, 2008. The Ministry of Industry and Information Technology (MIIT) was founded.*
- *The new established MIIT integrated the function of :*
 - *The industrial management of the National Development and Reform Commission (NDRC)*
 - *The function of the State Administration of Science Technology and Industry for National Defense (SASTIND, except for the function of nuclear power management)*
 - *The function of Ministry of Information Industry*
 - *The function of the Informatization Office of the State Council (SCITO)*

MIIT

= MII+ SCITO+ SASTIND+ Partial of NDRC

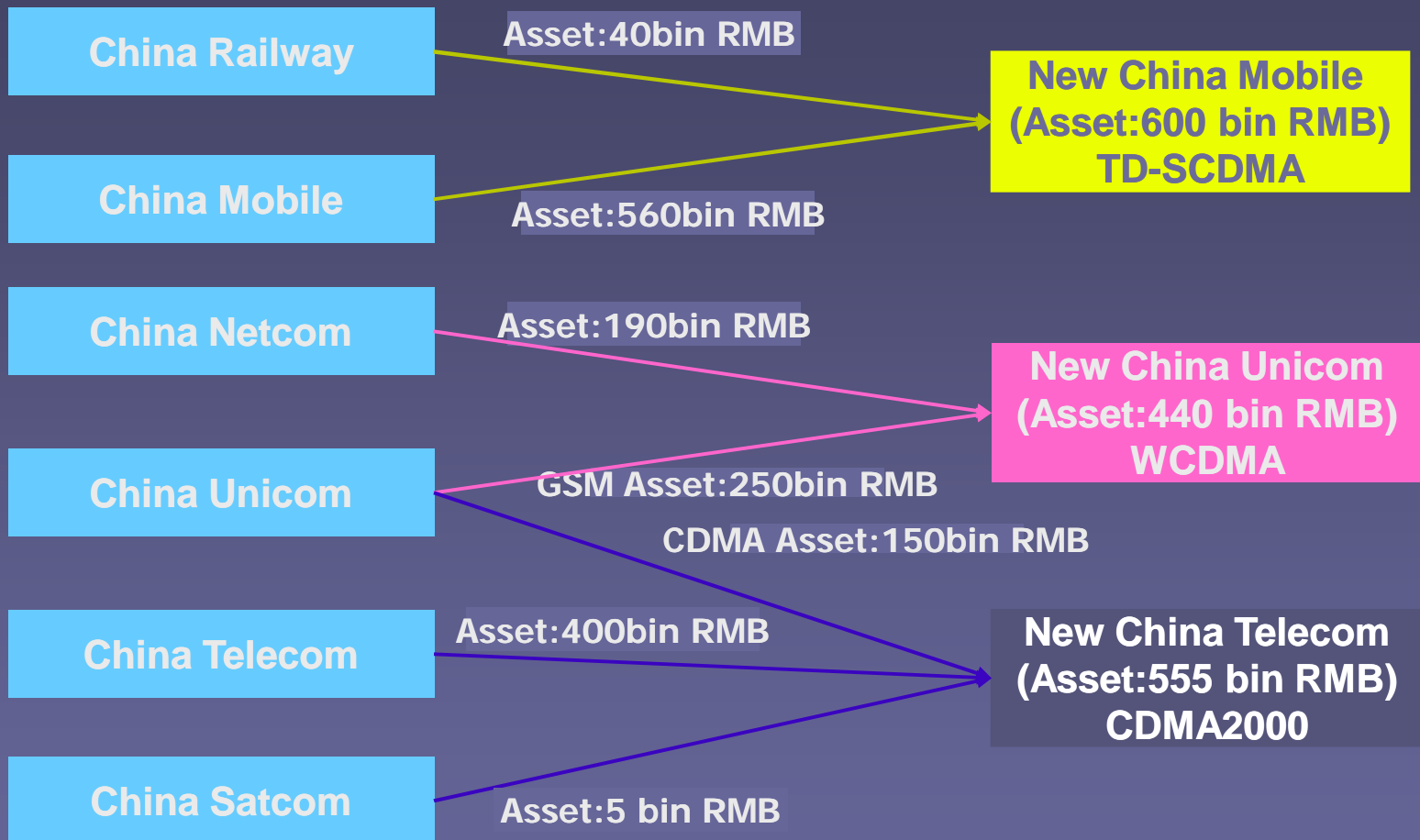
China “VAP” (the “Village Access Project”)

- *China commenced launching the “Village Access Project” (“VAP”) in 2004 as an interim institutional arrangement in which access tasks are distributed among the incumbent carriers to address the pressing issue of providing basic telephone services to its rural areas .*
- *By the end of 2007, China’s government has managed to connect roughly 99.5% of its total administrative villages⁴ each with at least two workable telephone lines. In doing so, the six carriers have committed RMB 540 million to extending networks to rural areas by the end of 2006 .*

China newly enacted AML

- *A new PRC Anti-Monopoly Law (AML) was enacted on August 30, 2007 and took effect on August 1, 2008.*
- *The Chinese legislature justified the absence of Western typed antitrust regulations by claiming that other Chinese laws such as the Product Quality Act and the Consumer Protection Act*

New market restructuring



The restructuring and the issuance of 3G license is the signal that China telecom industry has entered the integrated service and 3G era.



Regulatory challenges and recommendations to Chinese telephony

Legislative culture

- *Issues about MLIT's independence and impartiality.*
- *The rising importance of unified regulation*
- *Joint employment of the ex ante and ex post regulation*

Cost observation to telephony regulation

- *China telephony has gain great success, however, some unsolved issues still puzzles the industry, which including the telecom service tariff, the network interconnection ,and the universal services obligation.*
- *the fundamental reasons for these problems lie in the difficulty to measure and calculate the telecommunication services cost. Compared with the western telecom carrier*
- *the Chinese operator still face pressures to provide detailed and true cost information to the Chinese telecom regulator, but the next stage of profound reform necessarily require the operator to supply more accurate and sufficient cost data to the regulator.*

SMP regulation to improve market competition

'SMP' stands for 'Significant Market Power'.

- *Market share*
- *the economic and financial strength of the operator*
- *technological superiority*
- *lack of buyer power on the part of customers or suppliers*
- *extensive supply selection*
- *advantages of scale and scope*
- *vertical integration*
- *advanced distribution and sales networks*
- *lack of potential competition*
- *barriers to the sector*
- *barriers to expansion*

Thank you

