

Improving Service Level Through Effective Regulation

Speech by Director General Mr. Zhang Jian at the ITU Regional Regulatory Seminar
August 5, 2002

Ladies and Gentlemen, Distinguished Guests,
Good Morning!

First of all, let me extend my thanks to the Organizing Committee for inviting me to attend and address the meeting. I would very much like to exchange ideas with you on the subject of regulation of Telecom Services in Shanghai.

1. Introduction

As reform and opening-up deepen in the Pudong area, the GDP in Shanghai has kept growing by 2 digits in the past decade. As of end of 2001, the per capita GDP has topped USD 4500 and the tertiary industry accounts for 50.7% of the GDP. The Overall City Plan for Shanghai, endorsed by the State Council in May 2001 clearly defines the goal of building Shanghai as a modern international metropolis and one of the international economic, financial, trade and shipping centers. Shanghai is stepping towards the ambitious goal in large strides.

First-level international metropolis entails first-class telecom services. The telecom industry in Shanghai has kept abreast of the times in reform and development, and it has accomplished great achievements in network construction, service applications, service development, customer satisfaction and other areas. The average annual growth rate of the telecom services from 1995 to 2001 kept more than 20%. The investment in telecom in 2001 accounted for 4.77% of the city's total investment. The telecom revenue accounted for 3.4% of the GDP. The number of fixed telephone subscribers reached 6.42 million, and the number of mobile telephone users reached 7.58 million. The telecom development in Shanghai is playing increasingly important roles in the construction of the national economy.

2. Ideology

Now, An important issue we are facing is how to intensify effective regulation, guide the rapid development of telecom industry in Shanghai, make full use of its multiplication effects, bring along the industrial development via informatization, and realize a new round of leap forward in Shanghai. In working guideline and in practice, we stick to the idea of "Three-Two-One", namely three focal points, two main goals and one main line.

The so-called three focal points are the three essential links in telecom regulation, namely market access, telecom tariff and interconnection and interwork. The latest research achievement of the industrial organizational theory shows that certain correlation exists among the market structure, market behavior and market performance, and that it is necessary to control the market structure to ensure market performance for the telecom Industry with a feature of natural monopoly. Neither a rigid monopoly nor unrestricted deregulation conforms with the objective demands of economic laws. China exercises a licensing system to the telecom industry. The typical case is exerting fairly strict constraint into the basic telecom fields. At present, we stick to the guiding principle of breaking down monopoly, encouraging competition and fostering development. The core of encouraging competition is encouraging effective competition. With the nature of end-to-end and the characteristics of the scale economy of networks, two or more isolated telecom networks need to be interconnected and interworked for maximized network efficiency and benefits. There are mainly three pricing types for telecom tariff, namely the government-set price, government-guided price and market-regulated price. The government-set price is adopted in the areas with no or insufficient competition; Market-regulated price is adopted in the areas with sufficient competition. Tariff (price) regulation is an important means of competition for enterprises, and is the basic law of market economy. In the areas where government-set prices and government guided prices are adopted, enterprises own relatively less autonomous rights and the means of competition focuses mainly on improving quality of service and launching new services.

The so-called two main goals are to ensure fair competition and safeguard the interests of customers. The objective of telecom regulation ought to be facilitating the maximization of the social welfare, i.e. protecting the enterprises in obtaining the welfare while ensuring the interests of consumers.

The so-called one main line is regulation of the services. The regulation is truly effective only when the interests of both the enterprises and the customers are organically integrated and sufficiently ensured. This goal goes through the entire process of regulation. For telecom regulators, strengthening regulation of the services have become the most important task. Service is the eternal theme of telecom enterprises, and service regulations are also the eternal theme of telecom regulation.

3. Principles

The government work falls roughly into the areas of Normalization, Guiding and Stimulating. We have been vigorously to normalize the behavior of enterprises in providing services and guide the enterprises in enhancing the

awareness and capability in providing better services.

(1) Normalization

Normalization is categorized into system and behavior norms, specifically summarized as government regulation, enterprise self-discipline, and customer supervision. We have been vigorously exploring in such areas as policy making, business operation and customer participation. A perfect legal system is the important base of service regulation. Since the establishment of our Communications Administration, a series of service regulatory documents have been or are being developed such as the Several Stipulations on Telecom Tariff Supervision and Administration, the Administrative Approaches for Telecom Service Operation, Administrative Approaches for Public Telephone, Administrative Approaches for Telecom Short-Message Services, which provide the basis and assurance for telecom service regulation. Enterprise self-discipline is the basis of normalization. We will do a lot of effective work in promoting the status and role of industrial associations, formulating industrial rules and agreements and enhancing the sense of self-discipline of enterprises. Customer supervision is an effective means of improving the level of service regulation. The Shanghai Telecom Customer Committee has played a positive role in this respect since its establishment. In more than one year's time, the Committee organized various forms of service investigations over the telecom enterprises and made an adjustment in the forms and clauses of telecom enterprises. It completed an Investigation Report on the Forms and Clauses of Telecom Enterprises in Shanghai, making it possible for relevant enterprises to modify nonstandard clauses.

(2) Guiding

The guiding focuses more on the sense of service. We proposed that service represents not only service behavior and the user interface, but more importantly the comprehensive competitiveness of enterprises. We have been propagating this idea to the enterprises, and promoting the organic integration of enterprise' internal management and service provision. The Communications Administration provides guidance through publicity, training, holding forum, press conference and other forms. The various telecom operators have proposed very good ideas in providing services such as Shanghai Telecom's "Maintaining and pursuing the excellent ecological environment of Creating Value and Enjoying Prosperity Together"; Shanghai Mobile's "Putting Service First"; Shanghai Netcom's "Light Speed and Service First"; Shanghai Jitong's "99+1, Interactive Service", Shanghai Tietong's "Customer Care and Warm Service" etc. All this reflects the enterprises' pursuit to the advanced services. Based on this, the operators constantly develop customer care services, high network quality and a variety of

services, displaying solid comprehensive competitiveness of the telecom services in Shanghai.

(3) Stimulating

We focus on the three areas of system environment, competition environment and external environment in terms of facilitation. A sound system environment is the basis for not only normalization but also enterprise development. We place emphasis on conscientious consideration of the relationship between the system cost and system income at the time of policy making. A major proportion of the cost of government regulation is most likely to come from system cost, the benefit loss resulted from imperfect system. We claimed that the normalization documents specified should be good laws and beneficial to promoting the development of enterprises. Creating a fair competition environment instead of vicious competition and a win-win cooperation atmosphere instead of hostility can avoid low-level price war and distrust to each other while impelling enterprises to improve quality of service and enhance service competition. Another important aspect of facilitation is to establish closer ties between enterprises and customers so that customers can understand and support the work of enterprises. For instance, we organized a symposium on mobile base station radiation for Shanghai Mobile and Shanghai Unicom. We produced technical teaching feature film and played it in a vast area so that the consumers have understood that base station radiation is harmless to the human body and have allowed base stations to be built in the Community or on their buildings for better mobile telephone service quality.

4. Cases

In practice, we have done a lot of work in the light of the definite concept. I will show you two cases, one is the mobile network test and the other is mediation for subway leakage cable.

Before the Shanghai APEC Leaders' Meeting in 2001, Minister Wu Jichuan made inspection tour on the spot to ensure the communications quality. In view of the relatively poor service quality and the low completion ratio of Shanghai Mobile, Mr. Wu asked definitely for rectification and improvement. He also asked the Shanghai Communications Administration to support and coordinate mobile companies in network optimization with high political consciousness. After careful consideration and widespread opinion solicitation, we proposed to carry out an all-round test over the mobile network and seek the syndrome of the mobile network via various testing methods such as spot test and route test. By the end of 2001, tests had been made for three times. The diagnosis of syndromes via mobile network consultation offers much help to mobile

companies for network optimization and plays a major role in improving their network quality. After a period of network optimization, the network quality of Shanghai Mobile has been among the highest in the rank of mobile companies.

In November 2001, Shanghai Mobile and the Subway company signed an agreement of buying all of the leakage cable for the subway. In that case, users of Shanghai Mobile could receive calls while users of Unicom could not. Against this condition, we proposed that Unicom should also enter the subway, and only one company in the subway is not appropriate. Otherwise, there would be no way for the 1 million users (1.8 million right now, 2 or 3 million in the future) of Unicom to access to networks at the subway. The service quality of the all networks should be guaranteed, and it should not happen that a company expels another by taking advantage of its network superiority. We made use of every means to deal with and mediate the matter and talked about the principle of fair competition with the company leader of China Mobile, and seriously warned China Mobile that if the matter could not be settled properly, it would be subject to the penalty by means of public opinion, arbitration and even bulletin. Shanghai Mobile immediately put things right after we reasoned with it.

Conclusion

The Communication Administration has done a lot of work and gained some experience through useful explorations in a little more than one year's time since its establishment. We have deeply felt the complexity, difficulty and importance of the regulation work. In addition to the above-mentioned opinions and practice, a variety of means has been used in the regulation work such as administrative and economic means, coordination, public opinion and legal means. We attach importance to embracing the opportunities and cutting-in points as well as outsourcing (social forces). We strive to form a regulatory mode of " a small government serves the large society" and "a small organization provides a large platform", creating a good competition and cooperation atmosphere through establishing a complete system. Effective regulatory means is adopted to normalize, guide and facilitate the enterprises to improve the quality of service and satisfy the customer demands.

That's all of my speech. Thank you.