

MINISTRY OF INFORMATION AND COMMUNICATIONS-MIC

TELECOM TARIFF REGULATION IN VIETNAM

Department of Telecommunications, MIC

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TELECOM TARIFF REGULATION IN VIETNAM – *Content:*

Environment, Policy and Tariff Regulation

1- Past regulation.

- Before 1992
- Period from 1992 to 1995
- Period from 1996 to 2002
- Period from 2002 to 2007

2- Current market and tariff regulation.

3- Future trends and regulations.

VietNam Telecoms: Past regulation

1. Before 1992:

- Before 1990: VNPT Business and Regulator
- In 1990: Ministry of Transport and Communication Policy Maker and Regulator
- In 1992: VNPT Business
- In 1992: DGPT Policy Maker and Regulator.
- In 1992: VNPT The Only Business.
- + Telecom services mainly for public Service. Telephone density 0.2%.
- + Replacement of analog by digital technology.
- + Liberalization of the telecom construction.
- + Business Environment: Natural Monopoly.
- + Telecoms service tariffs were strictly under control of The Government

VietNam Telecoms: Past regulation

2. Period from 1992 to 1995:

Environment:

DGPT

Policy Maker and Regulator.

VNPT

The only Business belonging to

DGPT.

- **Market:** Accelerated Network deployment, Telephone density 1% by the end 1995.
- **Technology:** Continuing policy of utilizing latest modern technology.
- **Capital:** From International to invest into the network. Some BCC established.
- **In 1995:**
 - *VNPT independent with DGPT.*
 - *Establishment of 02 new companies Viettel and Saigon Postel*
 - *GSM Technology with Mobifone (BCC between VNPT and COMVIK)*
- + Separation between businesses and regulator and establishment of some new carriers but, the market still mainly monopoly.
- + Some businesses (such as import and export of equipment) liberalized.
- + Telecoms service tariffs were strictly under control of The Government

VietNam Telecoms: Past regulation

3. Period from 1996 to 2002:

- **Environment:**
 - Regulator:** DGPT
 - Telecom Businesses:** VNPT, SPT, Viettel.
 - Internet ISPs:** VNPT, SPT, FPT, NetNam.
- **Legal Framework:**
 - Government Decree No 109 in 1997 starting to apply international rules.
 - Government Decree No 21 in 1997 on Internet, licensing at the same time to 04 Internet ISPs.
- + **Rapid development of the Telecom Market, by 2000 density reach 5%. GSM and CDMA also allowed to be deployed.**
- + **Limited Competition in the mobile market between Mobifone and Vinaphone. SPT enter the market. Viettel started with International VoIP service. Some new players started operation (EVN Telecom, HaNoi Telecom). Internet market with competition between VDC (VNPT) and FPT.**
- + **Government shares more than 50% in Telecom FBOs. The Policy making and Regulating Function established clearly.**

VietNam Telecoms: Past regulation

3. Period from 1996 to 2002(tariff regulation):

- Competition enhanced in the telecom market.
- *Tariff regime under 99/1998/QĐ-TTg decision of Prime Minister.*
- **Government** decide tariffs of under 20 gram postal mail service and PSTN local call
- **DGPT** decides:
- Tariffs of most of services: International, Long distance, mobile, leased line circuit, Internet etc...
- Interconnection charge required
- In 2001, tariffs for international calls were among the highest in the world, while local and national tariffs are relatively cheap in comparison with the regional average

VietNam Telecoms: Past regulation

3. Period from 1996 to 2002(tariff regulation-cont'):

- Tariff system were still backward with the development of Market.
- Tariff unbalancing
- Interconnection charge still based on sharing revenue.
- High leased line tariff
- Tariff imbalance – not base on cost (not aligned to cost).
- . Between long-distance and local call.
- . Between domestic and international services.
- Cross-subsidized tariff system
- High price of long-distance and mobile services
- Requirement for change of Tariff Regulation regime to go in line with market mechanism

VietNam Telecoms: Past regulation

4. Period from 2002 to 2007:

- The Posts and Telecommunications **Ordinance** approved (2002). VietNam enters Bilateral Trade Agreement with US, cooperation within ASEAN, enters WTO (2006) with commitment of **opening** the Telecom Market to foreign investment. Several Laws and Legal Framework issued, required actions with regard to international telecom accords, the agreement has specific objectives related to permitting foreign investment in the Vietnamese telecommunications sector.
 - 10 FBO (Government Shares more than 50%), 60 SBO Internet Businesses (include Private Sector) licensed.
- + **Fierce Competition in the mobile, leased-line, Internet Market. Fixed Market difficult.**

VietNam Telecoms: Past regulation

4. From 2002 -2007:

- ***Tariff regime under the Decision number 217/2003/QD-TTg of Prime Minister*** (Principles of the new tariff management mechanism):
- .Government respect the own right of operators in providing telecom services.
- .Non-Discrimination in providing telecoms services among telecoms operators.
- .To ensure that the operators having significant market power (SMP) does not abuse its dominant position
- .Cost-oriented tariff management.
- .To ensure the telecoms development in remote, rural areas.
- .Develop the Interconnection charge system based on cost, and are reasonably broken-down according to network components or service processes, under nondiscrimination terms. The principle that the interconnection must ensure that users are free to select any service provider they want.

Vietnam Telecoms: Current tariff regulation

5. 2007- Present:

- **Environment:** Ministry of Post and Telecommunications (**MPT**) become Ministry of Information and Communications (**MIC**) with two new sectors: publication and media.
- Tariff regime under decision 39/2007/QĐ-TTg of Prime Minister
- Radical change in the tariff regulation regime
- From the monopoly to the market mechanism
- Strong Deregulation system
- + State only control the retail tariff of SMP
- + All others operators set their own retail tariff base on market mechanism

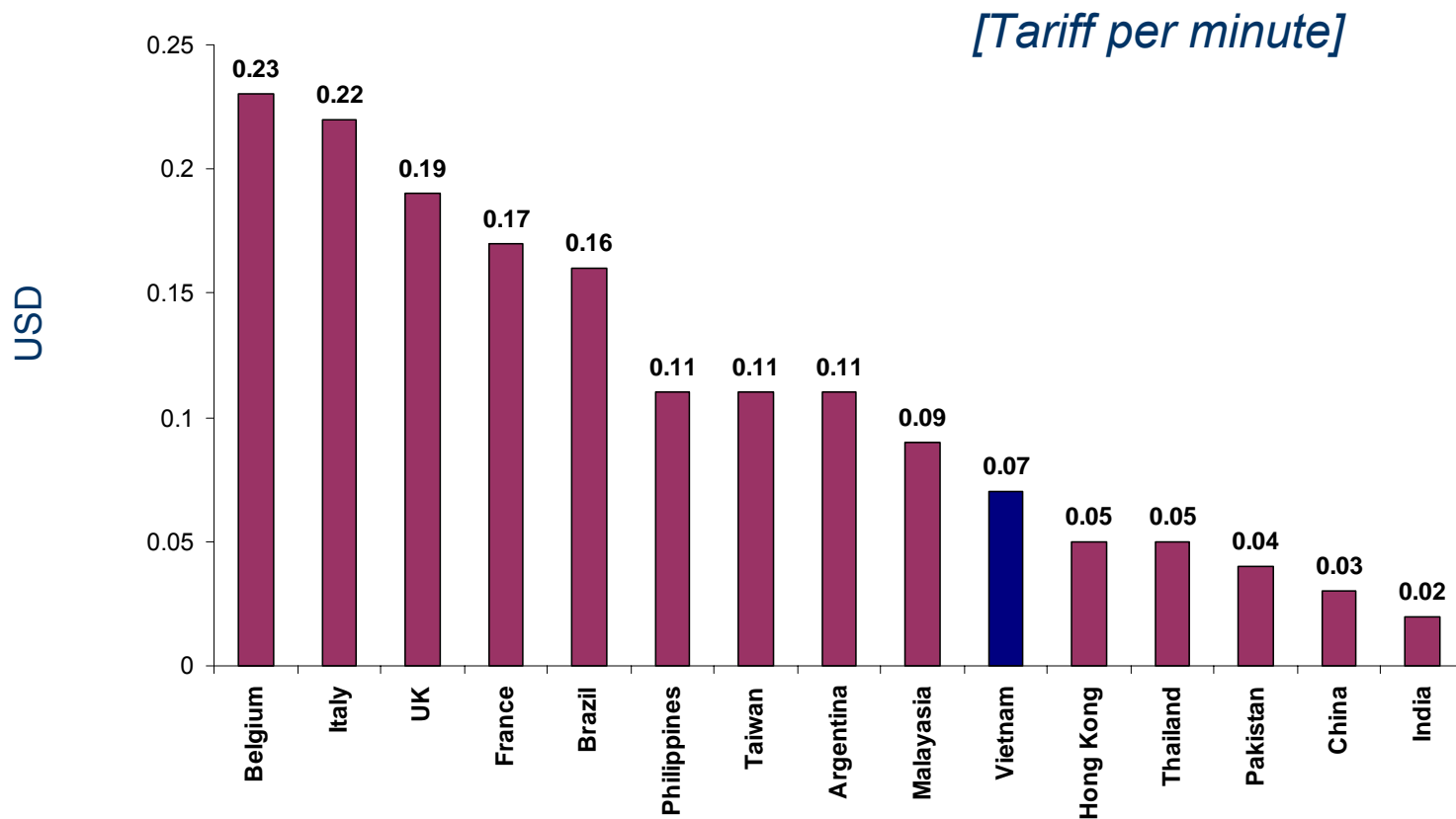
Vietnam Telecoms: Current tariff regulation

- *MIC annually issues the list of services and operators under SMP regime.*
- SMP operators should submit proposal to MIC for their change of the retail tariff before they set the tariff.
- MIC decide basic and important interconnection charges which greatly affect to the telecom market.

Vietnam Telecoms: Market effects of new regulation:

- Promote and stimulate competitive environment
- Retail tariff reduce strongly with services having more competition (such as: Mobile, Long distance, VoIP services, International services, Leased line services)
- Strong Tariff rebalancing process :
 - + Mobile retail tariff: from 03 regions to only one region with fast subscribers grow rate
 - + Long distance leased line circuit also restructuring go in line with the change of Long distance call services
 - + Local call: the same within city, province; apply for whole country.
 - - With the proper new regulation regime, especially in the retail tariff regulation having great impact to the development of the telecom market in Vietnam.

Mobile Tariff reduce drastically (2008)

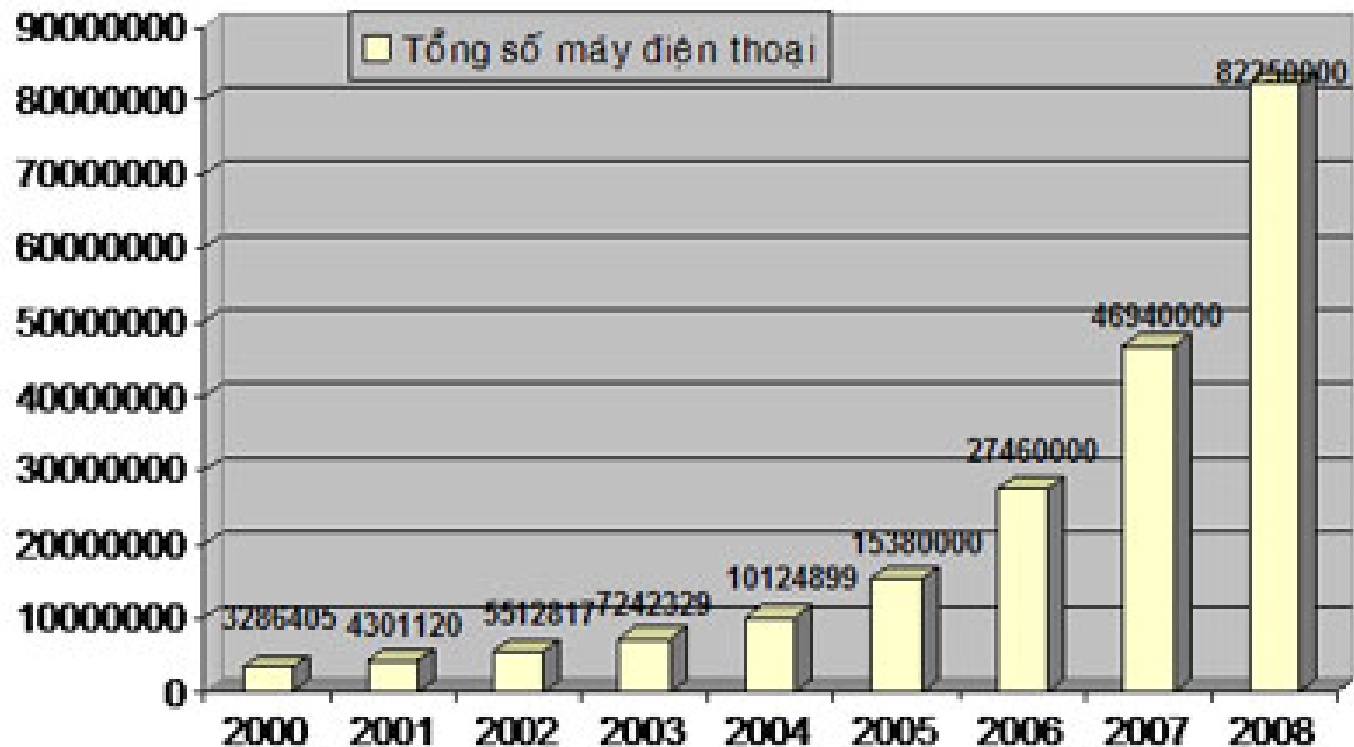


Services of regulation and SMP operators List

	Services of regulation	SMP operator	Form of tariff regulation	Additional Information
1	International call	VNPT	Notify	
2	Long distance call	VNPT	Notify	
3	International leased line	VNPT, Viettel, EVN Telecom	Register	SMP group of operators
4	Domestic leased line	VNPT, Viettel, EVN Telecom	Notify	SMP group of operators
5	Mobile phone	Viettel, Mobiphone, Vinaphone	Register	SMP group of operators
6	Wireless local phone	EVN Telecom	Register	
7	Internet (leased line and ADSL)	VNPT, FPT, Viettel	Register	SMP group of operators

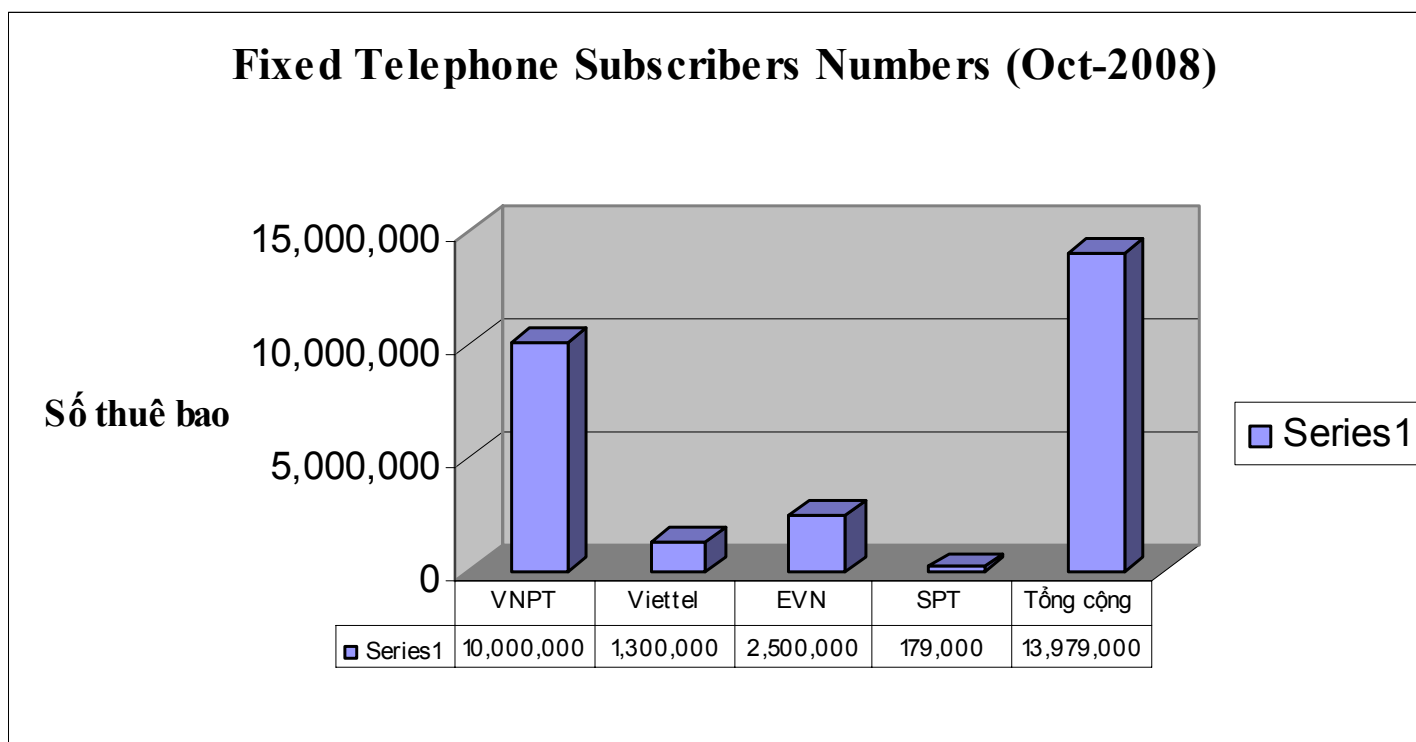
VietNam Telecoms: Current Market

Telecom Market- telephone subscription:



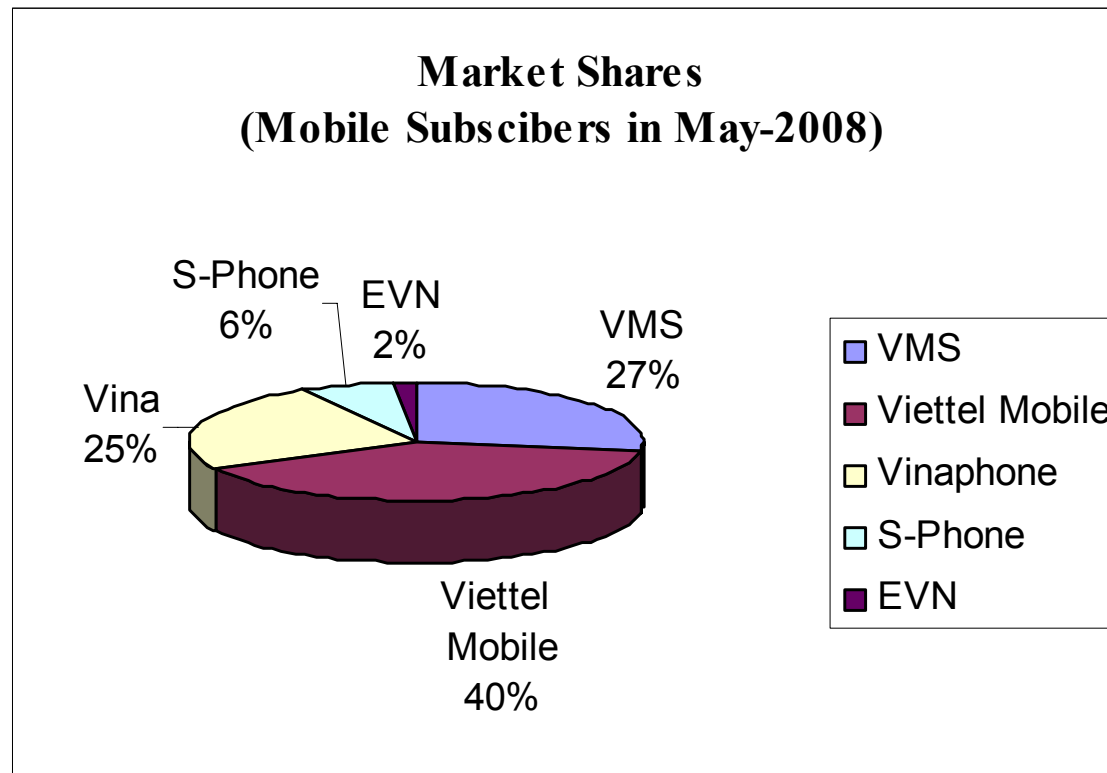
VietNam Telecoms: Current Market

Telecom Market (Fixed):



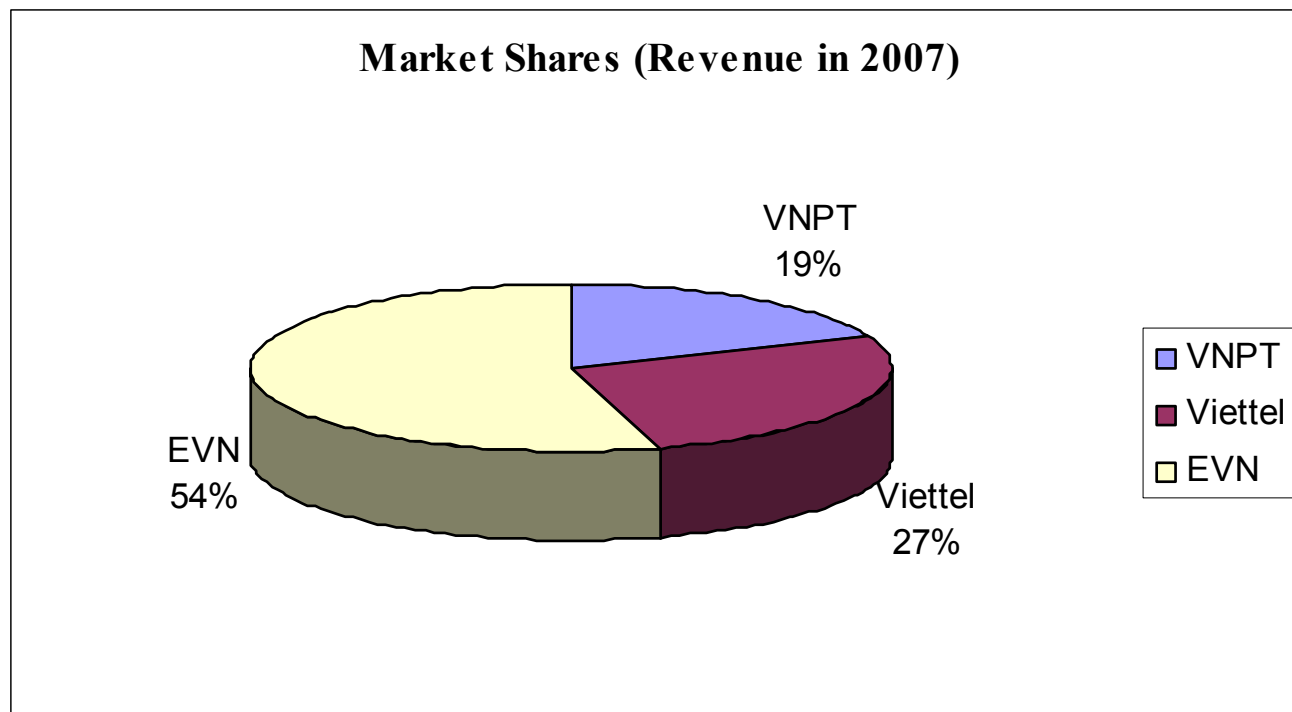
VietNam Telecoms: Current Market

Telecom Market (Mobile):



VietNam Telecoms: **Current Market**

Telecom Market (International Leased-Circuits):



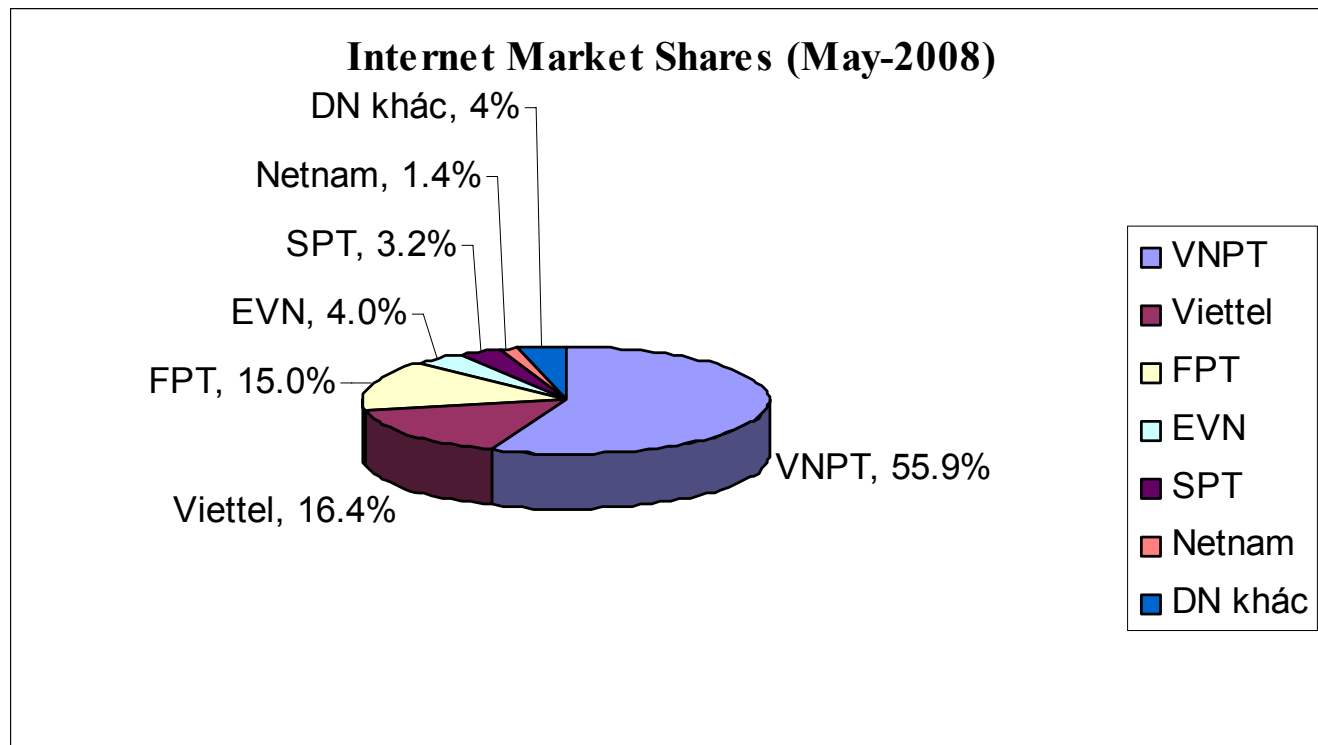
VietNam Telecoms: Current Market

Internet Market (Oct-2008):

- Number of Internet users: 20 834 401
- Internet User Density: 24.04 %
- International Bandwidth: 50 064 Mbps
- Domestic Bandwidth: 69 840 Mbps
- Number of registered Domain Name in **.vn**: 92 992
- Broadband Subscribers (xDSL): 2.048.953

VietNam Telecoms: Current Market

Internet Market:



Future trends in Tariff regulations

- 1- Support liberalization and Promote competition with the participation of all kind of business, include Private Sector.
- 2- Telecom Rare Resources will be managed according to the market mechanism, some could be assigned through Beauty Contest and Auction.
- 3- Telecom Fees: equivalent to the neighboring countries in the region.
- 4- Retail telecom Tariff: Deregulation is continued.
- 5 - Tariff structure supports and promotes Convergence (Broadcasting and Telecommunication Infrastructure).
- 6- Licensing: No limit of the number of licenses, private sector could be licensed to establish their telecom network (FBO). Transparent Licensing if Telecom Rare Resource could be planed.
- 7- Enhancing the Post Regulation, especially Telecom service charges, Quality of services.



Thank you.

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