

# Battle for consumers looms with start of second telephone network

## BEIJING BRIEFING

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WITH the formal establishment of China's second telephone network last week, it will perhaps not be too long before China United Telecommunications Corp (Unicom) and the Ministry of Posts and Telecommunications (MPT) get involved in a massive advertising war, the likes of which has yet to be seen in China.

The stakes in the telecom war are extremely high, with massive capital investment required to upgrade networks and huge profits to be made for the company which can attract the most customers.

For Unicom to be successful, it will not only have to provide new capacity for new customers, it will also have to lure existing MPT customers away with promises of lower long distance prices and better service.

With China's advertising industry becoming far more sophisticated and inventive and with the experience of AT&T and MCI's long running battle in the United

States to draw on, the contest between Unicom and MPT could become quite explosive.

Who knows, there might one day even be a giant electronic billboard on top of the Ministry of Electronics Industry building in central Beijing proclaiming "How much China is saving with Unicom."

But MPT and Unicom will not only have to convince their end-users that their service is the best, they will also have to win over China's 38 regional telephone companies, which operate the local networks.

MPT has been drawing up plans to subsume the 38 regional companies into a corporation headed by its Directorship General of Telecommunications (DGT), as a means of preventing the regional companies from doing business with Unicom.

However, the move is reportedly meeting with stiff opposition from the regional telephone companies, who have already gained a large degree of autonomy from Beijing and are reluctant to be reined in by a new DGT corporation.

Several regional telephone companies, most notably Guangdong Telecom, have already told MPT that since they have invested millions of dollars of their own money in upgrading and improving their networks, the ministry has no right to dictate policies or interfere in their internal operations.

Needless to say, Unicom is not thrilled at the prospect of being excluded from the regional companies and has been lobbying the State Council to allow it access to existing local lines.

And since Unicom is composed of three of the

most powerful ministries in the country, those of the electronics industry, power and railways, and is backed by 16 big Chinese corporations, it has a voice which will be heard at the highest levels of government.

MPT, known in government circles as "little brother", does not have much say in national economic policy and will probably have to do what it is told.

It seems likely, therefore, that the regional companies will have a choice of long distance companies with which to do business.

It remains to be seen which company can offer the most attractive deal.

Unicom, which plans to invest nearly 100 billion yuan (about HK\$89 billion) over the next five years, hopes to have cornered 10 per cent of the long distance market and 30 per cent of the mobile phone market by the year 2000.

Given Unicom's resources and power, this is not an unrealistic goal.