

# New telephone network planned

From **GEOFFREY CROTHALL** in Beijing

SEVERAL Chinese government ministries have asked the State Council for permission to build a second national public telephone network to compete with the existing system controlled by the Ministry of Post and Telecommunications.

The railway and energy ministries, which have their own dedicated networks, have teamed up with the Ministry of Machine Building and Electronics Industry, which builds telecoms equipment, to propose a commercial network focusing initially on long-distance services.

The Ministry of Aerospace, which controls satellite equipment, and China International Trust and Investment Corp (CITIC), which owns one quarter of a transponder on AsiaSat, are also said to be involved.

The General Command of the People's Liberation Army, which also has a dedicated network, is believed to be part of the consortium.

Vice-Premier Zhu Rongji is said to be highly supportive of the consortium's proposal because it would open the industry to greater competition.

## China ministries try to break monopoly

Industry sources say that if the idea is approved, work on the network could begin in the second half of this year.

The Ministry of Posts and Telecommunications, which has a monopoly on the lucrative telecom market in China, is understandably opposed to the plan. A representative yesterday called it "unrealistic".

"The proposal has a positive purpose in that it aims to speed the development of the telecom industry, but how do they plan to connect to the public network, this is the problem," said the director of the ministry's general office, Mr Xu Shanyan.

"My personal view is that the establishment of a second public network in China is not very realistic.

"No country in the world has ever established a second public network, so it is not really practical for China to do so."

Mr Xu - who requested that the *South China Morning Post* not report anything about the second network - tried to play down the significance of the plan, saying it was simply a proposal to ef-

fectively utilise all development possibilities.

"Although some leaders have expressed support [for the second network] I think what they really mean is that all the initiatives of other parties should be brought into full play," he said.

"The high officials still support the idea of overall planning," he stressed.

But industry sources say the ministry probably does not have the power to stop the proposal going through.

Posts and Telecommunications "is a relatively small ministry. It will difficult for it to withstand the onslaught of such a large consortium", one source said.

"In my opinion, it is not so much a question of if the second network goes ahead as, after a couple of years, will [the ministry] still be the biggest?" he added.

Although officials deny that the second network represents a threat, the ministry is drawing up strategies to counter any competition.

The telecom section of the ministry - the Directorship General of Telecommunications (DGT) - would be corporatised with the 38 regional telephone compa-

nies which reported to the ministry in Beijing, Mr Xu said.

The new corporation would be responsible for network design and development, long-distance services and pricing, while the ministry would continue to exert macro control over the post and telecommunications industry.

Should the regional telephone companies, which operate the network, be brought under the direct control of the corporation, analysts said it would be difficult for the second network consortium to gain access to existing phone lines.

"There is no way the corporation will voluntarily give the competition access to its phone lines. It will have to be pushed very hard," one industry source said.

On the other hand, if the regional companies were granted autonomy from the corporation, they could choose to do business with DGT or the second network. Thus telephone users would have a choice of long-distance companies and probably cheaper phone calls.

"Bringing the local companies into the national corporation is clearly designed to protect the ministry's interests," a telecom specialist said.

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# New phone system plan for China

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However, analysts note that the regional phone companies, most noticeably the Guangdong Telecom Bureau, have considerable autonomy from Beijing and the ministry may not be able to prevent them from doing business with a second long-distance network.

Guangdong's telephone company has used the revenue generated by the massive increase in telecom traffic in the province (more than US\$1 billion last year) to buy highly sophisticated switching equipment to further develop its network within the province.

Guangdong has told the ministry that since it bought the equipment with its resources, Beijing had no right to dictate policies or interfere in the province's internal network.

The province is also creating its own private enterprises to offer enhanced services such as electronic mail and virtual private networks.