

# China to hasten telecom regulation

January 19 2006

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In a bid to curb rampant spam and growing fraud conducted over mobile services, China will speed up creation of a new telecom law this year that will insist on all mobile-phone subscribers to register using their real names.

"The exact date of implementation of the new law has not been decided yet," said Chen Jinqiao, head of the policy research at the Ministry of Information and Industry, "but efforts are on to enhance the quality of the law and I have a feeling that it could be implemented within first quarter of this year." The new rule, which has already been drafted and reviewed twice by the State Council, is expected to be similar to those already introduced in countries such as Singapore, Switzerland, Thailand and Malaysia.

Though China imposes stringent restrictions across almost all media and communications sectors like broadcasting, media, Internet and the like, its mobile-telephony laws are comparatively lenient. For instance a mobile-phone customer can walk into a vendor and get mobile service without registering personal information at all, a practice unheard of in most countries. Only those who pay afterwards ("post-paid subscribers" in industry parlance) are asked to register their ID information upon subscription.

"Now in China, you can buy a pre-paid SIM card in many newspaper booths which can be found every a few hundred meters away in almost every street," says Cui Xiaolong from Analysys International, a Beijing-based technology sector consulting firm. "You can pay some money,

RMB 100 for example to get this pre-paid SIM card which can insert into a handset and get connected through at once."

This could be one of the reasons that, say analysts, has helped China emerge as the world's largest mobile-telephony market, which is also one of the fastest growing ones. Among the 388 million cell-phone users in China about 200 million are prepaid subscribers.

This practice has also encouraged a fair amount of fraud and criminal activities involving the use of pre-paid mobile phones.

In an interior study report, MII has summed up the sorts of criminal activities related to mobile phones, whose main motive is to snatch illegal benefits. For instance, says MII, defrauders register a cell-phone number with a fake name and then send false messages to a huge number of cell-phone users telling them they have won prizes in a lottery.

Unsuspecting phone users are easily hoodwinked by these offers, and when they contact the defrauders, they are asked to pay money for shipping or insurance charges. Once paid, no one hears anymore of the person who offered.

The MII, says Jinqiao, is not only concerned about the financial impacts about the scams, "but we believe that such rubbish messages (short messages) have a negative social impact as well by polluting the social environment." MII says such messages also contain pornographic content and rumors and information about terrorism.

He adds that out of more than 8,000 service and content providers in China that are called mobile operator's partner "many have turned unscrupulous and have been the criminals for a long time."

According to Xinhua, the Chinese news agency, mobile phones and the

Internet had become the most extensively used channels by cheaters to send false messages for fraud from as long back as 2004. It originated in east China's Fujian province, and spread rapidly to elsewhere in China, including Guangdong, Hubei, Zhejiang, Hunan and Jiangxi provinces.

Nevertheless, implementation of the new real-name cell phone subscription legislation is hardly going to be smooth because already it has sparked protests from operators such as China Mobile (Hong Kong) Ltd and China Unicom.

"The most significant influence to China carriers of the new rule will be higher cost for carriers," said Cui Xiaolong, Analysys International.

"These new rules require the terminal of sales channel of pre-paid card have the capacity of checking and recording the ID card of subscribers. More importantly, these records should be transferred back to the carriers and archived. All these functions need specialized equipment in terminal which will leverage the cost of card-sale to a higher level."

Moreover, "the operators themselves don't want the added hassle of taking down real names," says Duncan Clark of Managing Director BDA (China) Ltd, an independent researcher for China's telecom and technology sectors. "They like prepaid because it eliminates the risk of bad debt and cuts down their AEPUs (Average Expense Per User)."

"Taking names down will not only increase AEPUs/Operating Expenses, but could also potentially eliminate a large number of customers -- who like the convenience of anonymous SIM cards for whatever reason," said Clark.

Reports claim that this kind of adjustment -- of change the network/systems for the new rule -- may cost Chinese telecom as much as \$25 million each.

For that matter, despite the fact that 300 million mobile-phone users have been increasingly beleaguered by spam text messages, their response to the change over to real-name cell phone subscriptions is mixed.

An online survey conducted last month by China Youth Daily and Sohu.com has revealed that 42 percent of the 1,911 real mobile phone users queried oppose real name cellphone subscriptions while about 45 percent approve.

The survey adds that many -- about 7.2 percent -- also fear real-name subscription would come at a price of privacy and free communication. About 28 percent of interviewees said they prefer privacy and 32 percent of people said "there should be better solutions to filter junk message instead of real name subscription."

Still, the new rule seems like inevitable. That's because "customer complaints are increasing dramatically and things (spam and growing fraud conducted over mobile services) may be getting out of hand," says Clark.

According to MII, China's phone companies have already started blocking "thousands of accounts" that were caught for sending "illegal, harassing, or erotic text messages" blatantly.

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