

# OCDE

ORGANISATION DE COOPÉRATION ET  
DE DÉVELOPPEMENT ÉCONOMIQUES



# OECD

ORGANISATION FOR ECONOMIC  
CO-OPERATION AND DEVELOPMENT

---

## COMMUNICATIONS OUTLOOK 1999

### TELECOMMUNICATIONS: Regulatory Issues

**Country: KOREA**

**Date completed: 6 August 1998**

The attached questionnaire was undertaken in preparation for the biennial OECD *Communications Outlook*. The responses provided by countries on telecommunication regulation were used to provide information supporting the analytical sections published in association with data. A similar questionnaire with responses on broadcasting regulation is also available. In some cases, data for individual firms, used to compile OECD totals, have not been published at the request of the respondent. For further information, including data, see **OECD Communications Outlook 1999** and <http://www.oecd.org/dsti/sti/it/index.htm>

## TELECOMMUNICATIONS

### Market Structure and Regulatory Status (Questions 1 -13)

**1. Please provide details of the regulation of communication infrastructure, including the public switched telecommunication network (PSTN), provision in your country.**

Infrastructure provision for following service		Regulatory Status (e.g. monopoly, duopoly, limited number, fully open to any applicant)	Number of licensed operators (1998)
Local PSTN		Monopoly	1 (the second licensed operator is scheduled to operate from 1999)
National PSTN		Limited Competition	3
International PSTN		Limited Competition	3
Analogue Cellular Mobile (e.g. NMT etc.)		Monopoly	1
Digital Cellular Mobile (e.g. GSM etc.)		Duopoly	2
Other Mobile Communication	PCS	Limited Competition	3
	CT-2	Monopoly	1
	Wireless Data	Limited Competition	3
	TRS	Limited Competition	11 (two national operators and nine regional operators)
	Paging	Limited Competition	13 (one national operator and twelve regional operators)
Payphones		Monopoly	1

**2. Please provide details for the major public telecommunication operator (PTO) of public switched telecommunication services in your country. (PTOs are state and privately owned entities providing public switched telecommunication services over their own infrastructure)**

Name of PTO	PTO Ownership Status (1998) (e.g. state owned/privately owned) If a balance of ownership exists please indicate the share (%) held by the government
Korea Telecom(KT)	Government(71.2%), Public(28.8%)
DACOM	Public(100%)
SK Telecom	KT(18.9%), Public(81.1%)
Sinsegi Telecom	Public(100%)
KT FreeTel	KT(33.3%), Public(66.7%)
Hansol PCS	Public(100%)
LG Telecom	Public(100%)

**3. Please provide details of market share for the largest PTO in the following categories.**

	The largest PTO's share (End 1997)
Local Access (% of access lines)	KT(100% of the entire market revenue)
National Long Distance (% of total minutes)	KT(91% of the entire market revenue)
International (% of total outgoing MiTT)	KT(68% of the entire market revenue)

**4. Please provide details of the number of subscribers by cellular and PCN mobile communication operators.**

Name of Operator	Number of Subscribers (End 1997)
1. SK Telecom(cellular)	4 570 601
2. Sinsegi Telecom(cellular)	1 124 991
3. KT Freetel(PCS)	417 477
4. Hansol PCS(PCS)	416 363
5. LG Telecom(PCS)	366 045

**5. Please provide a description of the most significant recent policy changes affecting the provision of telecommunications services, as well as any draft laws, or regulatory proposals to be implemented in 1998.**

<p>1) The Telecommunications Business Act amendment of 1997 permits resale and Internet phone services in the existing category of telecommunications services that previously included only facilities-based services and value-added services. The resale and Internet phone services include Internet telephony, call-back, voice/wireless resale, aggregate services, re-billing services and on-premises telecommunications services.</p> <p>2) The previously prohibited foreign ownership of wire-line telecommunications business is allowed. The limit on aggregate foreign ownership of a company engaging in this business is raised to 33% (20% for KT).</p> <p>3) The fee for use of the radio spectrum for mobile telephony, which was 8 000 won, has been lowered by 37% to 5 000 won. The same fee of TRS which was 4 000 won has also been reduced, by 25%, to 3 000 won.</p> <p>4) Instead of going through a strict approval procedure, KT is now only required to report to the authorities the tariffs of long-distance, international telephone service and leased lines. The same also applies to the SK Telecom's tariff for radio paging service.</p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**6. Please provide a brief description of the responsibilities of the national regulatory authorities for public telecommunication services.**

The Ministry of Information and Communication(MIC) is responsible for regulation of tariffs, numbering and the information and communications industry as a whole.

The Korea Communications Commission (KCC), authorized by MIC, is in charge of monitoring a competitive environment and ensuring fair trade in the information and communications industry. KCC also mediates conflicts between service providers.

**7. Are there any foreign ownership, size of shareholding or other ownership restrictions on individuals and corporations investing in the incumbent PTO(s) in your country?**

Yes.

In accordance with Korea's commitment to the WTO Agreement on Basic Telecommunication Services, the limit on foreign shareholding for facilities-based service providers is 33% (20% for KT). The individual shareholding is restricted up to 10% for facilities-based service providers (3% for KT).

According to a recent report, however, the MIC will eliminate the limit on individual share ownership in 1998 and raise the limit on aggregate foreign ownership up to 49%, in 1999, in order to further promote a competitive environment in telecommunications market and attract more foreign capital. But this measure does not apply to KT.

**8. Are there any communication infrastructures or services (e.g. cable television, terrestrial broadcasting, satellite broadcasting) PTOs in your country are not permitted to directly provide? In addition, please specify any restrictions on PTOs investing in companies that such infrastructure or services.**

No. But PTO's need the government approval to provide communication infrastructures or services.

**9. Is the incumbent PTO(s) in your country allowed to provide mobile communication services?**

**If 'yes', is there a requirement for accounting separation between the PTO's mobile and fixed operations?**

Yes.

According to Section 10 of the Telecommunications Business Act, however, facilities-based service providers who want to provide additional services other than licensed services need to receive approval from the Minister of Information and Communication.

**10. What selection procedures are used to determine licenses for new PTOs (e.g. calls for tenders, government appointments, license on request)?**

The Telecommunications Business Act amendment of 1997 requires:

- facilities-based service providers to obtain approval from the Minister of Information and Communication;
- resale and Internet phone service providers to register with the Minister of Information and Communication; and
- value-added service providers' to report to the Minister of Information and Communication for business operation.

**11. Please specify any restrictions or obligations imposed on new competitive network suppliers?**

Once a license has been obtained, after successfully passing through a review, a facilities-based service provider is obliged to financially contribute to the development of the information and communications industry and to observe the starting date for business operations. Other than that, no particular restriction or obligation is imposed. \*

\* For the resale and Internet phone service providers and value-added service providers, a financial contribution is not currently required.

**12. Are there any restrictions on the use of leased lines nationally or internationally (including resale)?**

No. But owners of private telecommunications facilities such as Korea Electronic Power Corporation or Korea Highway Corporation are able to provide leased lines only to facilities-based service providers. Also, the resale of the leased lines provided by the owners of private telecommunications facilities to other service providers is prohibited.

**13. Under the communication regulation existing in your country how would national and international voice telephony services provided over the Internet, by entities other than a PTO, be defined and treated? Please mention any restrictions or obligations that may apply.**

Long-distance and international telephone services through the Internet are classified as resale and Internet phone services. As of May 8, 1998, twelve service providers registered with the MIC for Internet telephony business and several service providers began to provide international Internet telephone services.

Resale and Internet phone services only need to submit business proposals, service provision contracts and user protection plans to MIC and register with the Ministry to provide resale and Internet phone services.

### **Pricing (Questions 14 -15)**

**14. What, if any, conditions are applied to the tariffs set by PTOs?** (Please include any price control information such as price caps and specify for which service they apply).

Except the tariff for KT's local telephone service and SK Telecom's cellular service, all tariffs of wire and wireless telecommunication services are not regulated.  
The tariff regulation policy of the Korean government is based on the rate-of-return principle. But there is no specific legal provision pertaining to calculation of the rate of return.

**15. If communication discount schemes are available in your country please provide information on one or more popular schemes applicable to residential users, dial-up Internet access users and a low user scheme from the incumbent PTO.** In the space below please indicate the main features:

Residential User Discount Scheme :

There are time of day discounts for off-peak times (e.g. late night and lunch hour)

Internet Access Discount Scheme :

For dial-up Internet access users, local telephone calls are provided at 40% off the standard price, and additional discount is offered for the late night use.

Low User Scheme :

No discount schemes except for the one at off-peak times

Note: Residential user refers to an average consumer's home telephone service. A dial-up Internet user refers to a consumer accessing the Internet via a PC with a modem over the local public switched telecommunication network. Low user schemes is a term sometimes applied by PTOs to schemes designed for segments of the community that are financially disadvantaged.

### **Numbering/Domain Names (Questions 16 - 17)**

**16. Please describe the numbering policy in your country. Please mention the responsible authority and whether portability has been introduced and for which services (e.g. 800 numbers, cellular numbers, local PSTN numbers).**

The MIC is responsible for the numbering policy. The basic guidelines for this policy are defined in the "Telecommunications Number Management Rules".  
Number portability is yet to be achieved. Introducing number portability to ensure fair competition is under discussion.

**17. Have there been any recent government policy initiatives in your country in respect to the administration of Internet top level domain names.** (An example of a top level domain name is .be for Belgium).

Currently, there is no official position on this issue at the government level. However, the Korea Network Information Center deals with the principles on the registration of top level domain names in close consultation with the MIC.

**Interconnection (Questions 18 - 21)**

**18. Are PSTN interconnect or access charges a matter for commercial agreement between operators and if so is there provision for arbitration and by whom? Is there a requirement to publish the rate for PSTN interconnect or access charges?  
If 'yes' please provide a schedule of interconnection charges for the PSTN.**

An interconnection charge is basically something that should be discussed among telecommunication service providers. The MIC only provides a set of guidelines by publishing the "Public Notice on Interconnection". According to this Notice, interconnection service providers should provide telecommunication operators who need interconnection with facilities within a year from their application for the use, unless there are technical difficulties. In principle, interconnection charges and interconnection agreements are not released (This does not apply to KT). If there is any conflict on interconnection, the KCC plays a mediating role.

Interconnection charges:

As of 1997, interconnection charges imposed by KT are;

- 17.99 won per minute for compensating NTS deficits
- 11.83 won per minute for local TS and for long-distance service,
- 1.69 won per minute for transmission
- 2.52 won per minute for exchange
- 5.92 won per minute for interoffice

**19. For the purpose of establishing interconnect or access charges is accounting separation used?**

Yes. Interconnection charges are calculated differently for each service and each category. The MIC provides a set of guidelines on accounting rules for telecommunications businesses in accordance with the "Notice of Accounting Separation".

**20. Once the interconnection or access charge has been established is it available as a standard rate for other service providers (including other PTOs and resellers)?**

There is no standard rate, since any interconnection agreement is signed in accordance with the contract among service providers (But the "Interconnection Principle" serves as a guideline). The appropriate level of interconnection charge is determined after official investigation, and the settlement is conducted among telecommunications service providers. However, KT, the dominant provider of the local service network, plays the key role in determining the interconnection rate. From 1998, resale service providers will be allowed to pay a certain amount of the cost, in accordance with terms and conditions, to the PTO instead of settling interconnection charges.

**21. Does regulation specify that competitive service providers can co-locate facilities on the same site as incumbent PTOs? Please indicate whether resellers and Internet Service Providers can co-locate equipment under the same terms and conditions as PTOs without being designated as a PTO?**

When a competitive service provider is a facilities-based service provider or a private service provider, it is allowed to co-locate facilities with competitive service provider's facilities, according to the government notice titled "Telecommunications Facilities Provision Standard".  
But there is no legal provision on co-location for resellers or Internet service providers.

**Information for Updating OECD Tariff Comparison Baskets (Question 22)**

**22. Please provide the following information for your largest PTO.**

What is the average duration of a local call (i.e. average time of a call in the lowest tariff band for PSTN)?	-	
What is the proportion of calls that fall within your lowest tariff band (i.e. local calls) as a percentage of total national calls?	Business (%) -	Residential (%) -
What percentage of calls from the fixed network (PSTN) terminate in mobile networks (e.g. analogue and digital cellular networks)?	Business (%) -	Residential (%) -
What percentage of total leased lines (i.e. leased circuits) are local (i.e. 2 km or less)?	87.52%	

**Universal Service/Consumer Issues (Questions 23 -25)**

**23. In the context of universal service policies which elements of telecommunication service are considered as part of universal service in your country?**

The type and range of universal service is yet to be specified. However, the type and range of universal service is expected to be determined in time, because active discussions are going on with respect to the issues such as discount for low-income households, the handicapped and the elderly, in a wide range of services like local telephone, pay phones, telegraph, emergency calls and directory assistance service.

**24. Please provide details of any explicit funding mechanism for universal service and its coverage.**

Universal service was in past financed by the NTS (Non Traffic Sensitive) deficits compensating the costs of facilities-based service providers. Recently, the reasonableness of the cost calculation method has been questioned, and a strong suggestion that universal service be financially supported by a separate "Universal Service Fund" has been raised.

**25. With what institutions other than telecommunication service providers can customers lodge complaints regarding these operators? (e.g. regulators, ombudsman, Ministry, etc.) Is there a requirement for annual reporting of the number of consumer complaints? If so how are complaints measured and reported.**

The KCC is mainly responsible for investigation, punishment and correction of unfair practices of telecommunications service providers. The Korea Consumer Protection Board(KCPB) is another body responsible for these matters. The KCC began responding to consumer complaints in late 1997. This partly explains why few complaints have been filed with the KCC to date. The KCPB, on the other hand, publishes general information on consumer complaints instead of sector-specific reporting. Policies on identifying and accommodating consumer complaints will be implemented by the end of 1998.