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ATTENTION: Miss Amelia Shepherd, Network Manager

**CAUSES ANALYSIS AND
RECOMMENDATION REPORT ABOUT
CHINESE LOW INTERNET SPEED AND HIGH INTERNET FEE**

INTRODUCTORY SUMMARY

Internet played a more and more important role in our daily life but the Internet service in China was not as good as it should be. You asked our company to present an investigation on the two main problems: low Internet speed and high Internet fee. This report presents several causes of these two problems. And on the basis of what we have learned so far, we drew a conclusion and came up with some recommendations to solve these problems.

Purpose of investigation

With such a great number of people using Internet, China should have been making a great effort in creating a better Internet environment. However, unfortunately, the current situation is far beyond expectation because people are suffering from low Internet speed as well as covering high Internet bills.

Our purpose is to analyze the reasons, from various aspects, behind the phenomenon and come up with some practical suggestions to the government as a reference or guidance to make our Internet environment better in the future.

Methods of Investigation

- Literature review
- Social Research
- Experiments
- Data processing
- Causes analysis

Reasons for low internet speed

- Low quality of fundamental facilities

Without a legal standardization for the market, we found that people in charge of the line-allocations can change the distribution as they want to reduce cost and get higher profit. Assume that a fiber line is designed to serve for 100 users, and some operators or zones can increase the load to 500 users per fiber line, causing the Internet speed to slow down on a large

scale.

- Lack of competitions

We found that the lack of competitions reduces money CT and CNC spent in innovations and developments because they do not worry to be replaced by other operators. So the key point is that lack of competition enables the dominant operators to control market using the way that is beneficial to operators but not to users, which leads to the outcome that users become victims of the tricks.

Reasons for high Internet fee

- Complicated geographical features

China has a land area of 9.6 million square kilometers, ranking third in the world. The vast land area shares a complicated geographical feature, such as plateaus, basins, hills and plains, as a result of which it is of much more difficulty to pave network lines and build related facilities. Also, it calls for greater accuracy in Internet technique than other countries like Japan and South Korea due to our special land conditions. So generally speaking, the Internet fee of a country is of positive proportion to its land area and land conditions.

- Additional charges

From the social research, we know that as soon as the operators enter a residential district and start to set up lines and facilities, the estate developer will charge for a variety of fees such as admission fees, equipment operating room fees and construction cooperation fee. Some estate developer even asks the operators to share a certain percent of their Internet incomes otherwise they may lose the chance to run business in this residential district. Then the operators have to spend extra money on such items and in turn charge for higher Internet fee to the users.

Recommendations

- Operators should take on more social responsibilities

As we know, both CT and CNC are nationalized companies. Their development is directly related to network development level of China. Although there is no denying that profit always comes as the first pursuit of a company, such nationalized operators should indeed take on more social responsibilities. They ought to improve their service levels, within their abilities, to cater to the social demands, which is of great benefit to the future development of China.

- Create competitions

Government should break the monopoly and attract more Internet enterprises to enter the market. Once there is competition within the Internet market, operators start to fight for survival in the market, which means they have to spare no effort in providing better service, such as lowering the price and making innovations in techniques, to enhance their core competence. This kind of virtuous cycle can maximize the potential of operators and motivate them to keep on advancing. What's more, it will certainly push the Chinese network level forward and benefit the users.

- Increase investments

Without enough capitals, the Internet operators cannot purchase facility and carry out experiments, let alone make innovations and improve their service. To catch up with others,

government should lay much emphasis on the development of IT field, including investing more money, encouraging innovation, attracting more talents and etc. Fortunately, for the past decade, the proportion of government spending on IT field keeps going up, indicating that Chinese have realized the importance of Internet development and started to make changes.

Conclusion

In order to improve the Internet environment of China, government should take some measures. It ought to let operators take on more social responsibility to improve service level. It needs to encourage new operators to enter the Internet market to make it more competitive. What's more, government should increase the investment on IT field to support the related enterprises to make innovations and do researches. This conclusion is based on limited investigation, so we would be glad to help and bring more recommendations by additional research and testing.

We will call you this week to discuss out study and possible follow-up you may wish us to do.

Sincerely,

Longfei Yin