

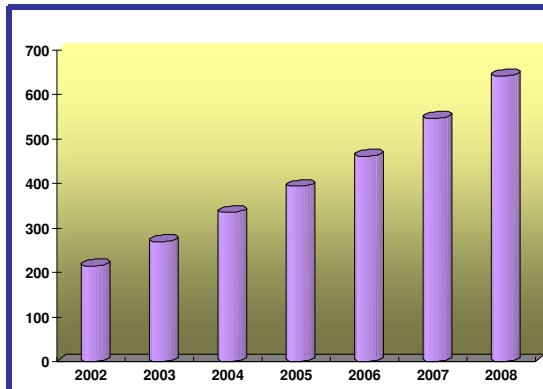
China als Markt für Wettbewerber

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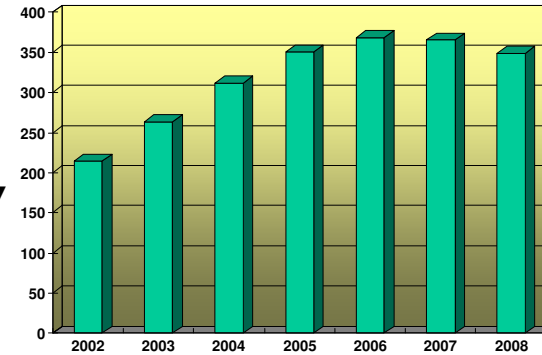
- 1** Communication Market In China
- 2** Regulation Reform
- 3** Operator Reconstruction

Market statistics in 2008



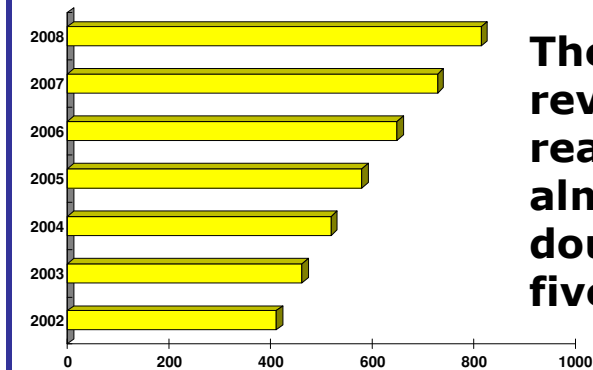
By the end of 2008, the fixed line subs have reached 349mn, with the penetration rate as 25.8%

Fixed line subscribers



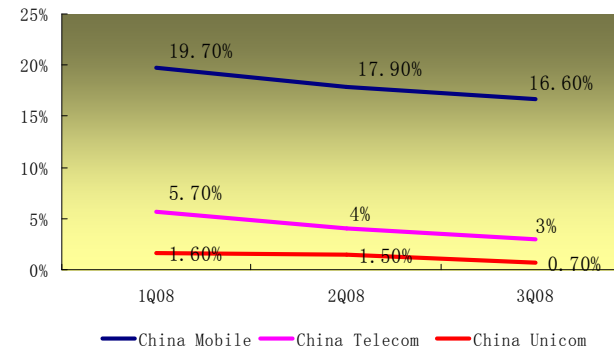
By the end of 2008, the mobile subs have reached 642mn, which yields 49% penetration.

Mobile subscribers



The total revenue reached 814bn, almost doubled than five years ago.

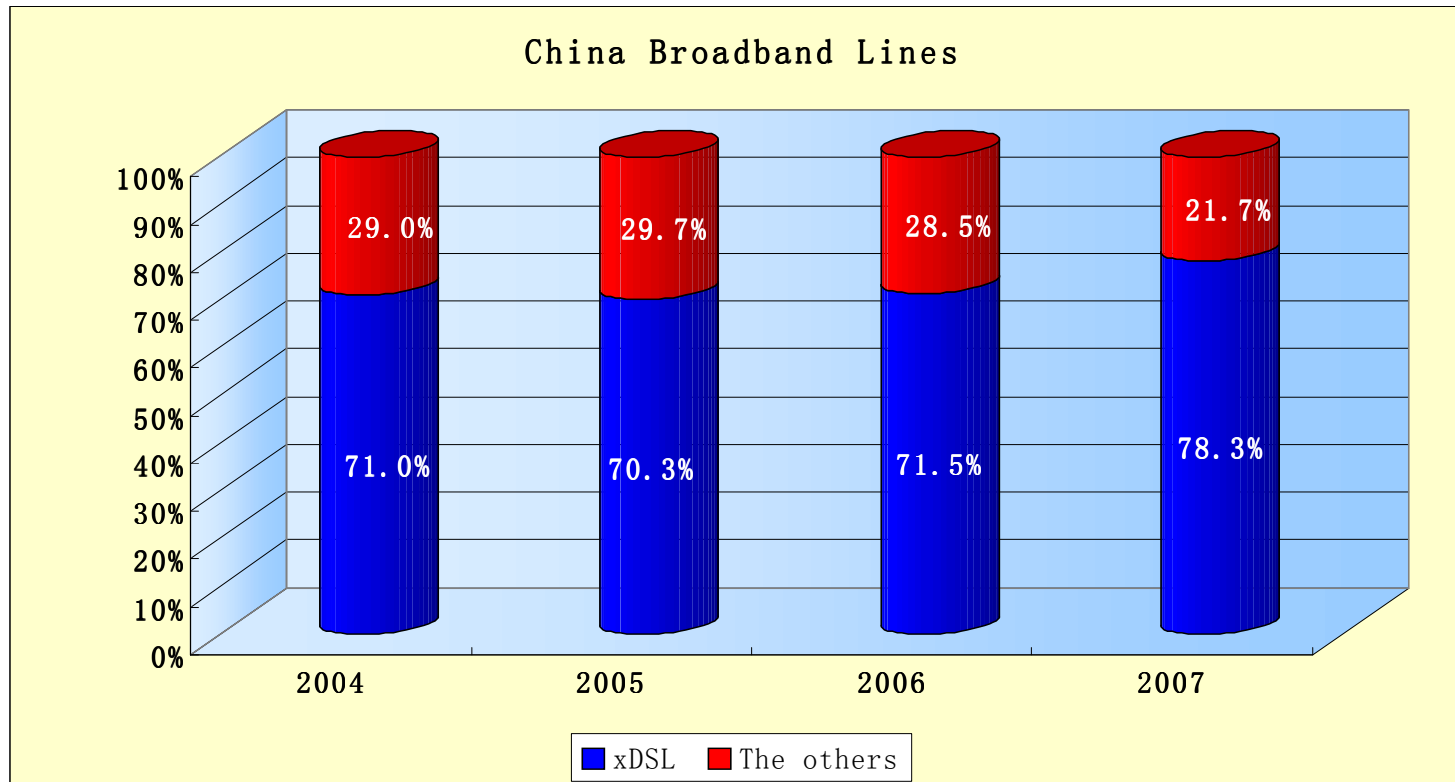
Total revenue



The revenue growth rate of the three operators in 2008 is decreasing

Revenue Growth

Broadband grows steadily, xDSL still dominant

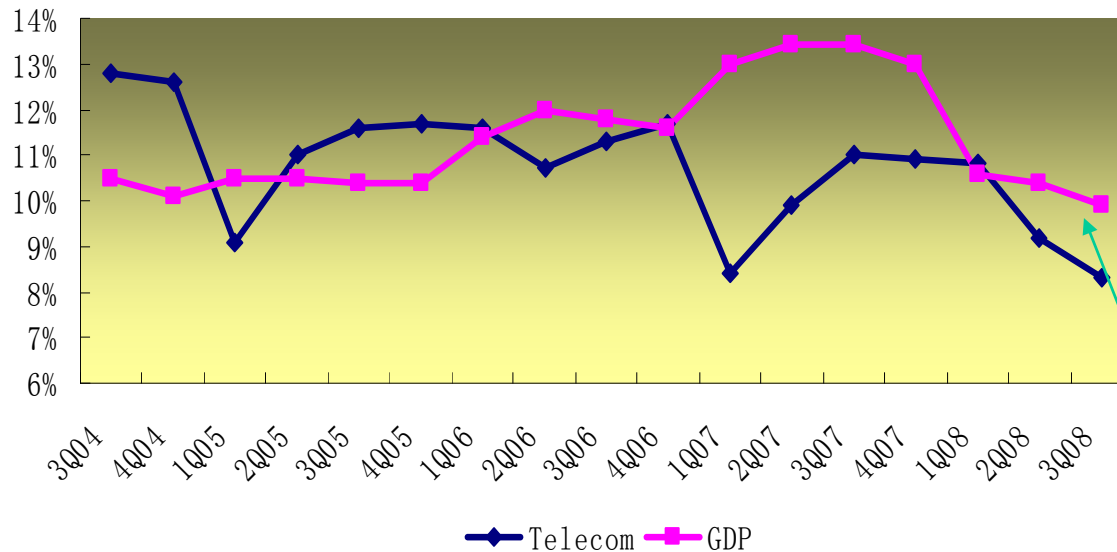


- In 2007, broadband users reached 66.46 millions, grow 28.1% while comparing to 2006
- During 2002 to 2007, the average growth rate of Broadband users in China is 82.8%
- xDSL is still the mainstream technology here. In 2007, The xDSL proportion of subscriber is 78.3%

The growth rate in 2008 and 2009



The growth rate gap between telecom industry and GDP for 2004 to 2008



Since 1Q 2008, the growth rate of telecom industry has been slow than that of GDP; what's more, the gap is widening

The gap is becoming bigger

The growth rate in 2008 is 7%. Considering the macro and micro economical environment, and the slow down of the telecom industry, the main objective of the MIIT in 2009 is to keep the growth rate of no less than 6% which yields 880bn RMB and keep the same growth rate as that of last year.

Communication Industry has entered a stage of structural adjustment



Fixed line business will accelerate to decline

- with the acceleration of the substitution of the mobile, more costumers would abandon their fixed line;

Broadband is about to take off

- The penetration of broadband is still quite low; the population penetration is below 10%. This figure is especially low in the rural area;
- The price of PC is declining;

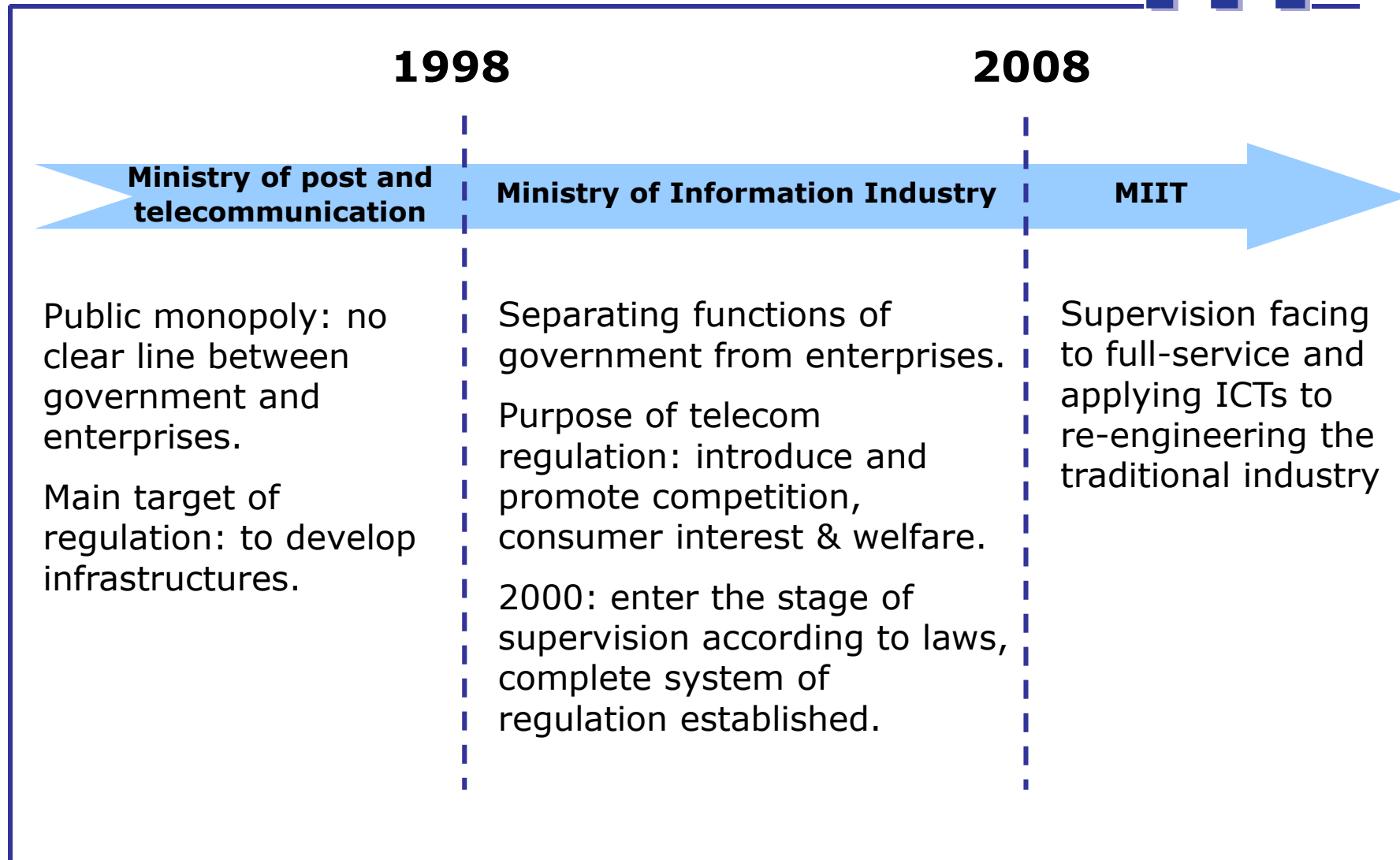
Mobile business is half way to mature

- Mobile penetration rate has reached 50%
- 14 cities' mobile penetration rate have been over 50%; Beijing and Shanghai's penetration rate have been over 100% ;
- The average penetration of the East is 68%; 39.3%for the North; 38.8%for the central .

Value-added service is still complementary

- According to international experience, Voice service is the dominant service in 3G era

Government Reform in ICT sector



From MII to MIIT



- March, 2008. The Ministry of Industry and Information Technology (MIIT) was founded.
- The new established MIIT integrated the function of :
 - The industrial management of the National Development and Reform Commission (NDRC)
 - The function of the State Administration of Science Technology and Industry for National Defense (SASTIND, except for the function of nuclear power management)
 - The function of Ministry of Information Industry
 - The function of the Informationalization Office of the State Council (SCITO)

MIIT

= MII+ SCITO+ SASTIND+ Partial of NDRC

Functions of MIIT



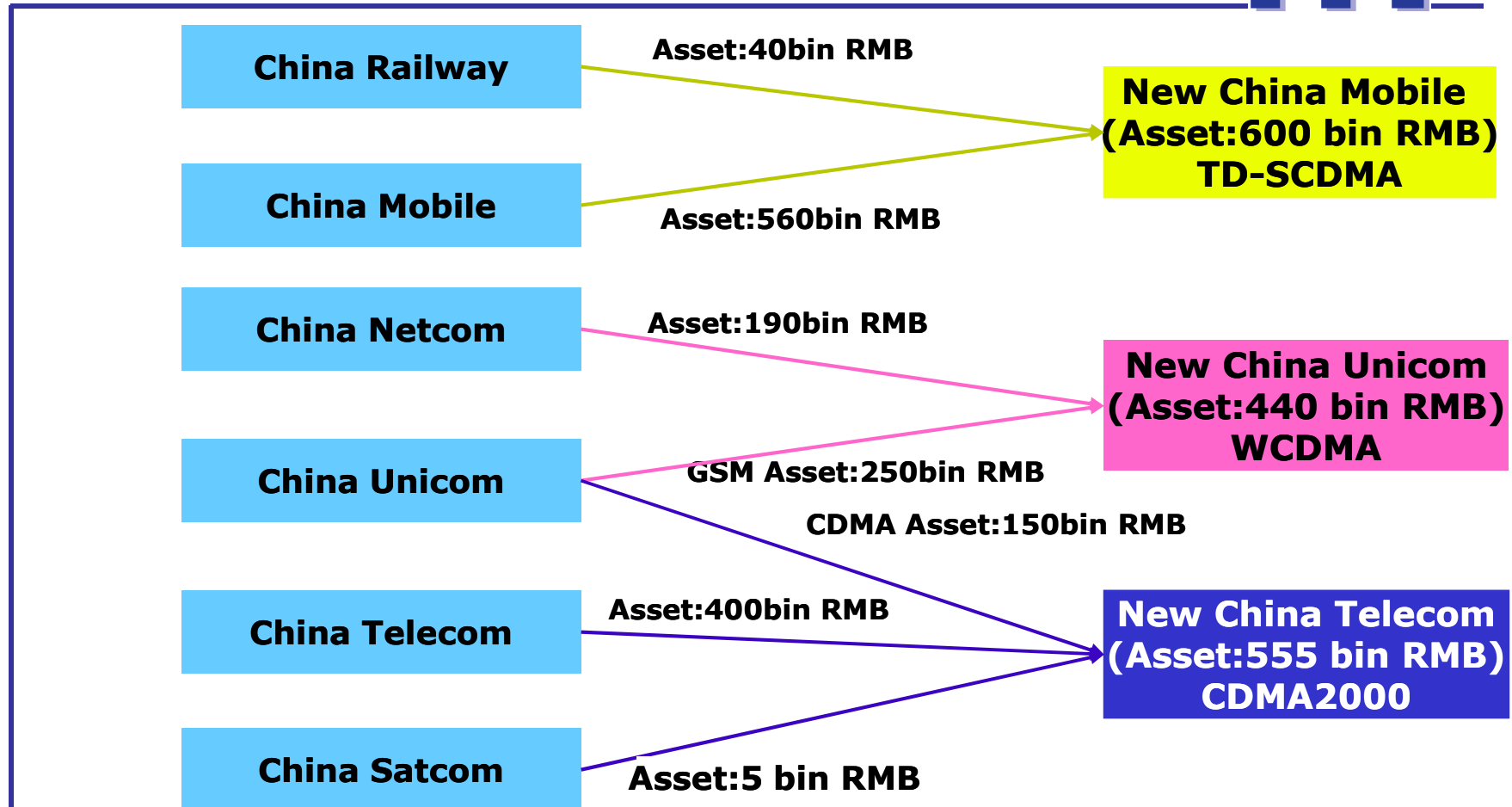
- The main functions of MIIT include
 - To formulate and implement industrial planning, policies and standards, monitor the daily operation of industrial sectors
 - To promote the development of key technical equipments and independent innovation, administrate the communication industry
 - To lead and promote the construction of Informationalization and protect national information security
- As the industrial administrator, the functions of MIIT are:
 - To establish planning, policies and standards
 - To guide the industrial development
 - It will not intervene in the manufacture and operation of enterprises so as to ensure their main body status in the market.
- With the establishment of MIIT, The pace to take a new path of industrialization was accelerated

Focus of MIIT in 2009



- To maintain the market equilibrium in telecom sector: **to narrow the scale differences between operators; to promote the development of TD-SCDMA, achieve balanced competition among different technological models. Ensure fair Markets.**
- To promote the integration of industrialization and informationalization and pave a new road to industrialization. **To penetrate the information technology and integration in all sectors of the national economy to enhance the level of industrial technology and to change the industrial situation of "high input, high consumption, high pollution and low-quality, low efficiency and low output" .**
- To react to the challenges brought by global financial crisis and deterioration in the situation of the world economy, **MIIT is to increase the infrastructure investment and support of SMEs.**

Operators Reconstruction and Issue of 3G License



The restructuring and the issuance of 3G license is the signal that China telecom industry has entered the integrated service and 3G era.

The strategy of the three operators in Y2009

Strategy



- To increase innovation capability, operation level and management quality
- To better manage the relationship among management, reform and stability
- To promote TD-SCDMA



- To promote the infomationalization strategy
- implement differential mobile strategy, focus on middle-high end users
- To promote the mobile, broadband and integrated information service, and stabilize fixed service



- To promote integrated operation
- To focus on wireless broadband and accelerate network construction
- To strive to be a leading broadband and information provider

Main work




- To promote TD-SCDMA network construction and realize the convergence of TD and 2G
- To expand the family and enterprise users market
- To implement network sharing and keep the leading position in network quality

- To introduce the "e surfing" brand and focus on internet surfer and high-end users
- To stick to differentiated infomationalization strategy
- To build integrated promotion channels
- To strengthen risk control

- To accelerate transformation
- To implement rational competition and promote network sharing
- To strengthen management and improve service
- To improve staff quality

3G investment and development in 2009



	CAPEX	Coverage	Subs
 中國移動有限公司 CHINA MOBILE LIMITED	58.8bn in2009	238 cities by the end of 2009	50mn in three years
 中国电信 CHINA TELECOM	30bn in2009	100 monopolies by the end of Mar	50mn in three years
 China unicom中国联通	30bn in2009	55 capital cities and well-developed monopolies	50mn in three years
Whole Industry	170bn in2009	Most cities and well-developed towns	150mn in three years

- **China Unicom will launch WCDMA service on 17th May;**
- **China Telecom will launch CDMA2000 this February;**
- **China Mobile's TD-SCDMA has been launched since the pre-trial last Apr;**

Support and regulation policies to 3G



The government published and is preparing the following policies to regulate the market:

Network Sharing

- The MIIT announced a urgent notice requiring that existing tower should be shared and new tower should be co-constructed;
- The three operators signed a contract to promote network sharing
- There are still some problems such as the tower's bearing capacity and the antenna interference
- Execution power is the key point

MNP

- Trials are done at Tian Jin and Hai Nan;
- The trial result will impact the proceeding policy;

Tariff Regulation

- China is heading for market-oriented tariff regulation;
- The tariff regulation main focus will shift to mandate improper pricing conduct;

Interconnection Fee

- To balance the interest of the three operators;
- To guarantee the interconnection of the telecom service;

Thanks!

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Kooperationsprojekt: ITM Münster und der China Academy of
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