



**Network Convergence in China:  
the Development and Strategies**  
--Case Study on IPTV

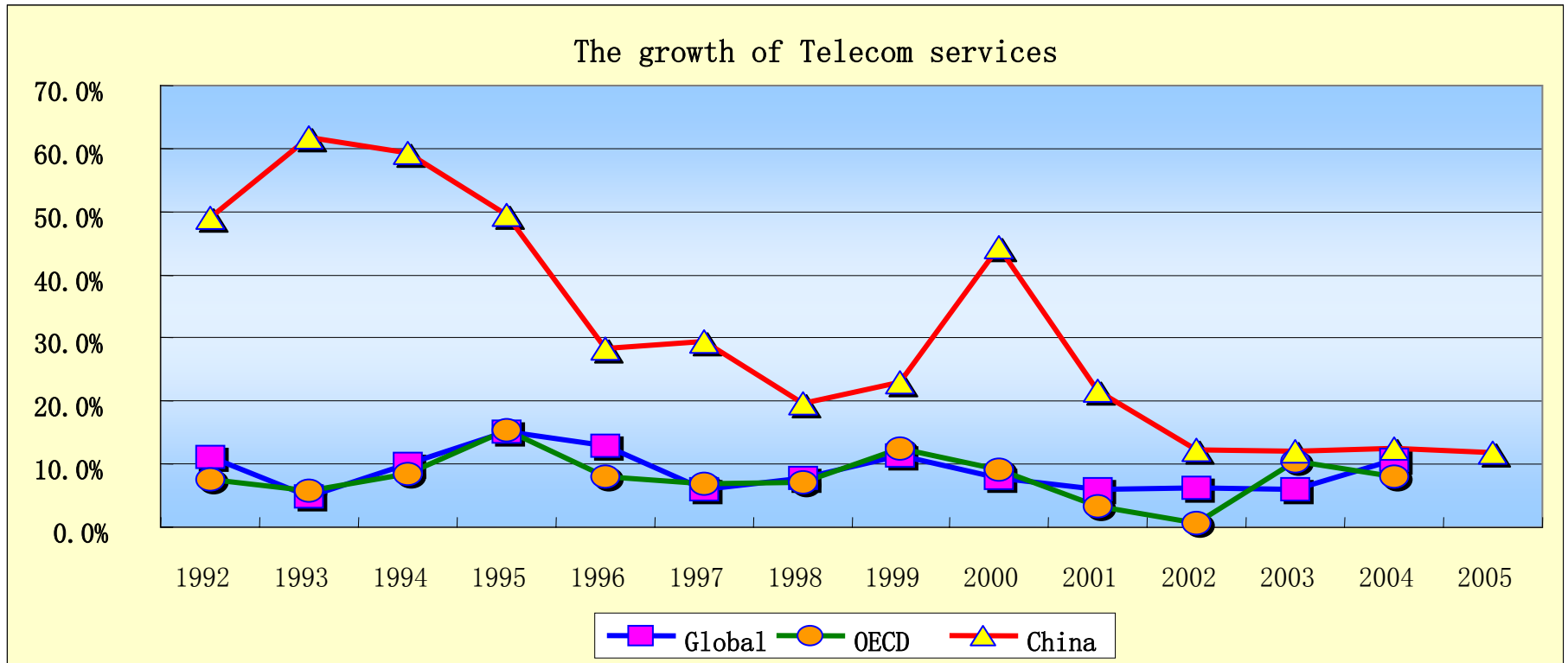


**信息产业部电信研究院**  
China Academy of Telecommunication Research

## ● The transformation of telecom operators in China ✓

- The development of IPTV and its related problems in China
- Strategies to promote network convergence in China

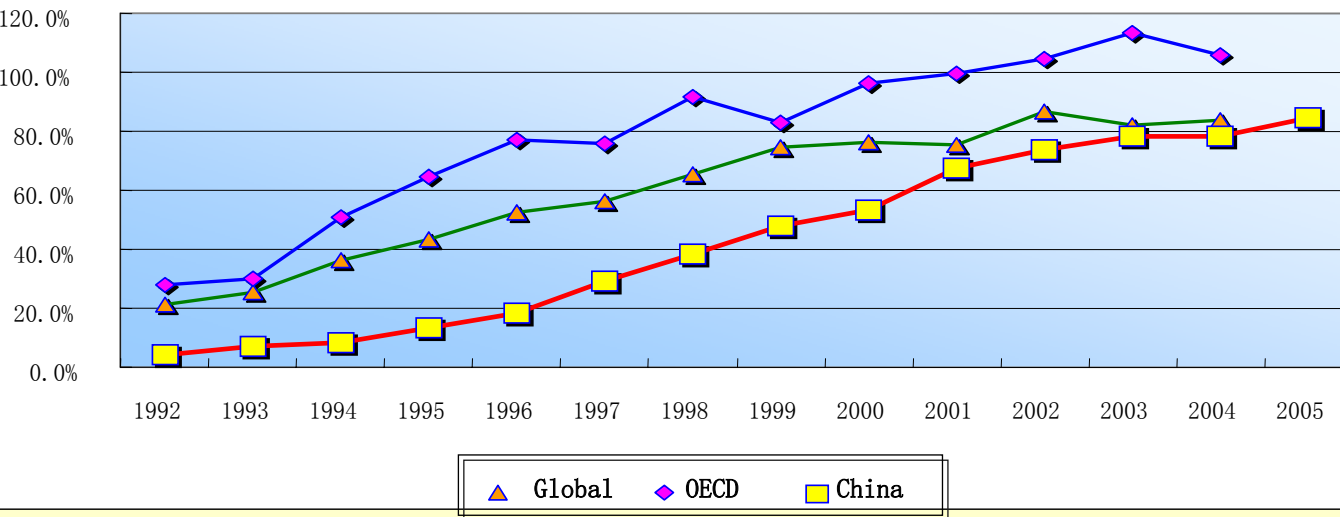
# Development Speed of the Telecom Industry slows down



- In general, development speed of the global Telecom services revenue slows down:
  - In recent 10 years(94 ~ 04), global annual average rate 8.9%, OECD 8.1%, China 24.7%;
  - In recent 4 years (00 ~ 04), global annual average rate 7.2%, OECD 5.5%, China 14.5%
- The growth rate of China[s telecom sector is much higher than those of developed countries; However, the trend remains the same
- Driven by the development of mobile services and broadband and the transformation of the Telecom industry, the global annual rate of the operating revenue of telecom industry maintain a speed of around 6%, and in China, it is the about 9.5 %

# The substitutional effect of mobile services

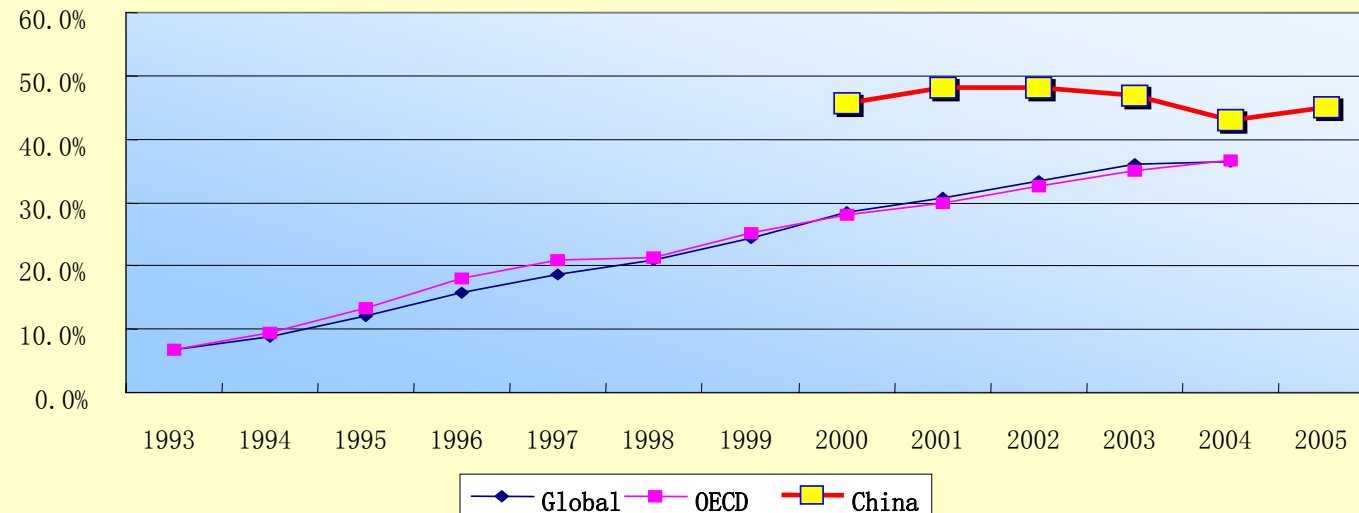
## The ratio of mobile user among newly increased users market



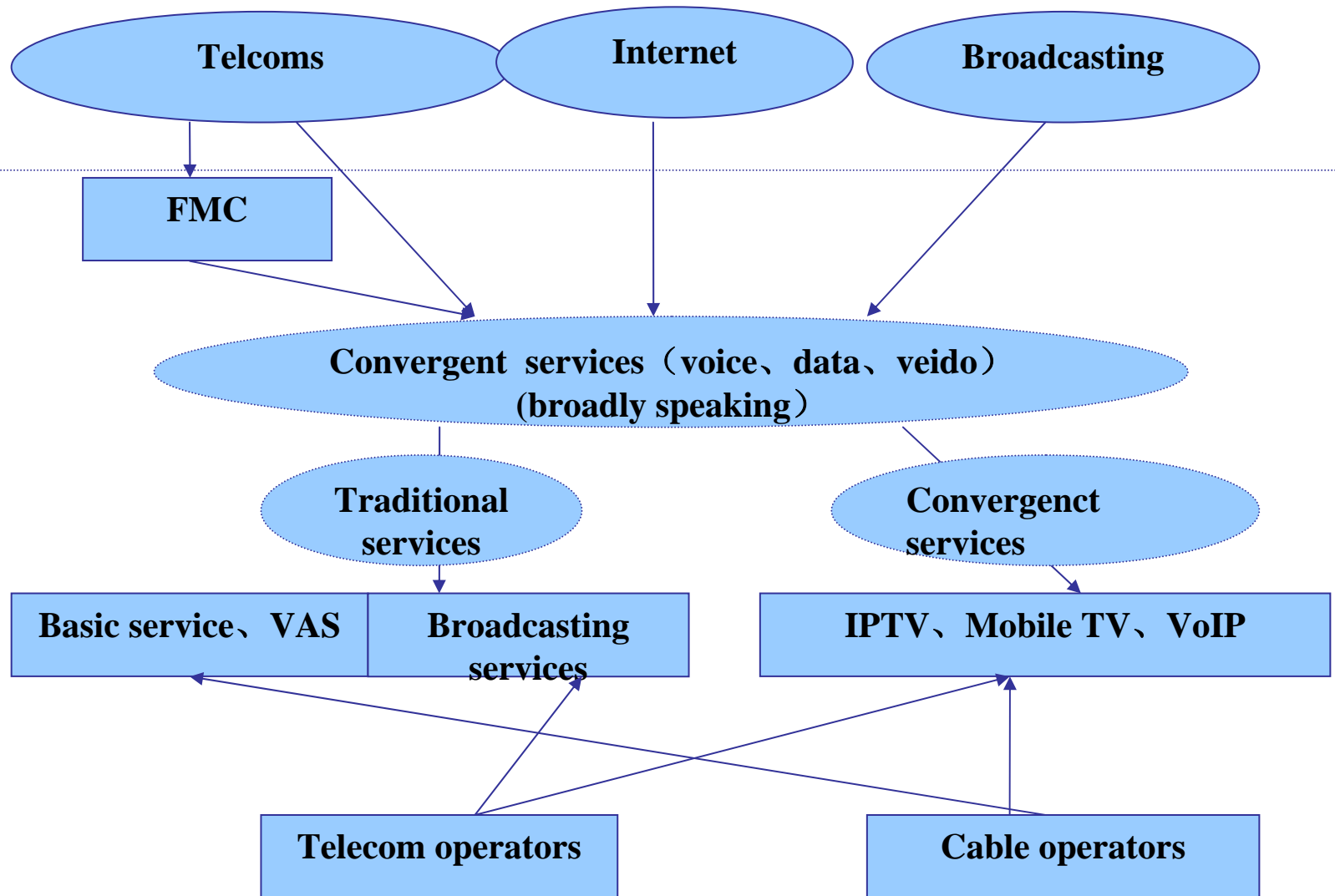
■ In terms of users: global 84%, OECD over 100%; China, near global average

■ The ratio of revenues from mobile services : Global and OECD about 36.5%; In china, 45 % .

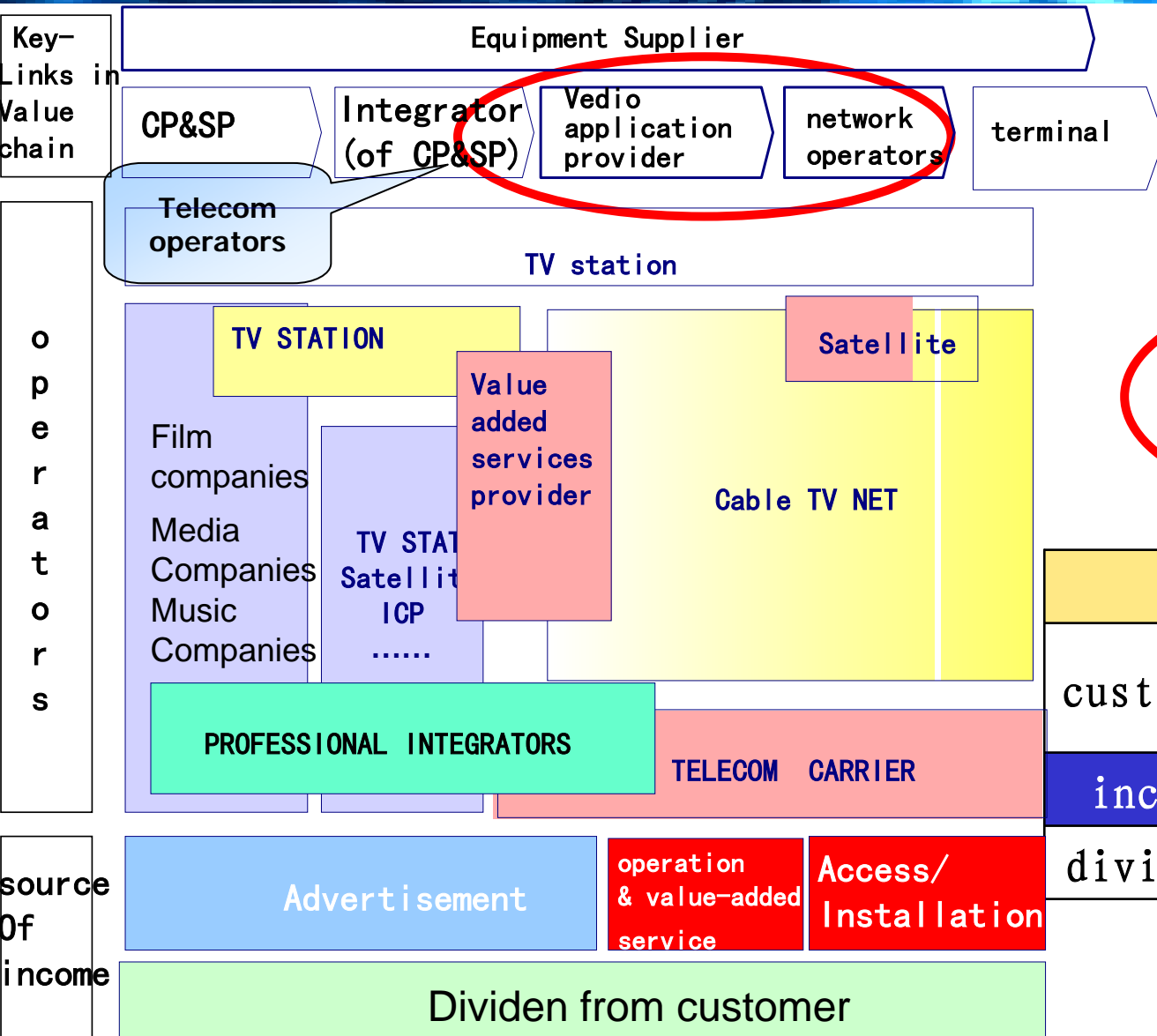
## The ratio of revenues of mobile service among telecom revenues



# Convergent service: the blue sea of telecom operators



# IPTV: the killer application of convergent services



*IPTV market expected to billions*

	2010 forecast
customer	5,000,000 ~ 20,000,000
income	5 ~ 20 (billion)
dividens	2 ~ 10 (billion)

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全球

OECD

# IPTV overview

Unit of measure

## ■ Market players

- China telecom
- China Network
- SMG, etc

## ■ Licence holders

- Shanghai Media Group;
- CCTV;
- Southern Media Corporation
- China Radio International
- Central People's Radio Station

## ■ Main business areas

- Mainly urban areas, including Shanghai, Hangzhou, Ha Er Bin, etc..
- Some rural areas, including Henan province, Jiangsu Province, etc..

## ■ Users base

- Totally over 300 thousand users, mainly in urban cities

\* Footnote



# Business Models of IPTV services

Mode	Target User	operators	Number of Users	Promotion Modes
Hangzhou Mode	Urban families	Hangzhou Media China Co., Ltd. (Radio-television Stock Holding)	30,000 IPTV users	Overall transition, mainly by presenting, charges ¥40 per month.
Guangdong Mode	Urban families	Telecom Allied with Manufacturers	60000	Users purchase or deposit, equipment ¥700-800, ¥50 per month.
Harbin and Shanghai Mode	Urban families	Telecom Allied with Culture Broadcasting	Over 260,000	Cooperation between SMG and telecoms; Terminal paid by SMG; ¥60 per month.
Henan Mode	Rural users without cable television	Promoted mainly by Telecom	30,000 Users	Popularized to each village free of charge, ¥ 35 top cover.
Jiangsu Mode	City Home Users	Telecom allied with Xinhua News Agency; Telecom allied with Culture Broadcasting	unknown	Telecom builds two networks; News Agency provides the contents for one; Culture Broadcasting for the other.

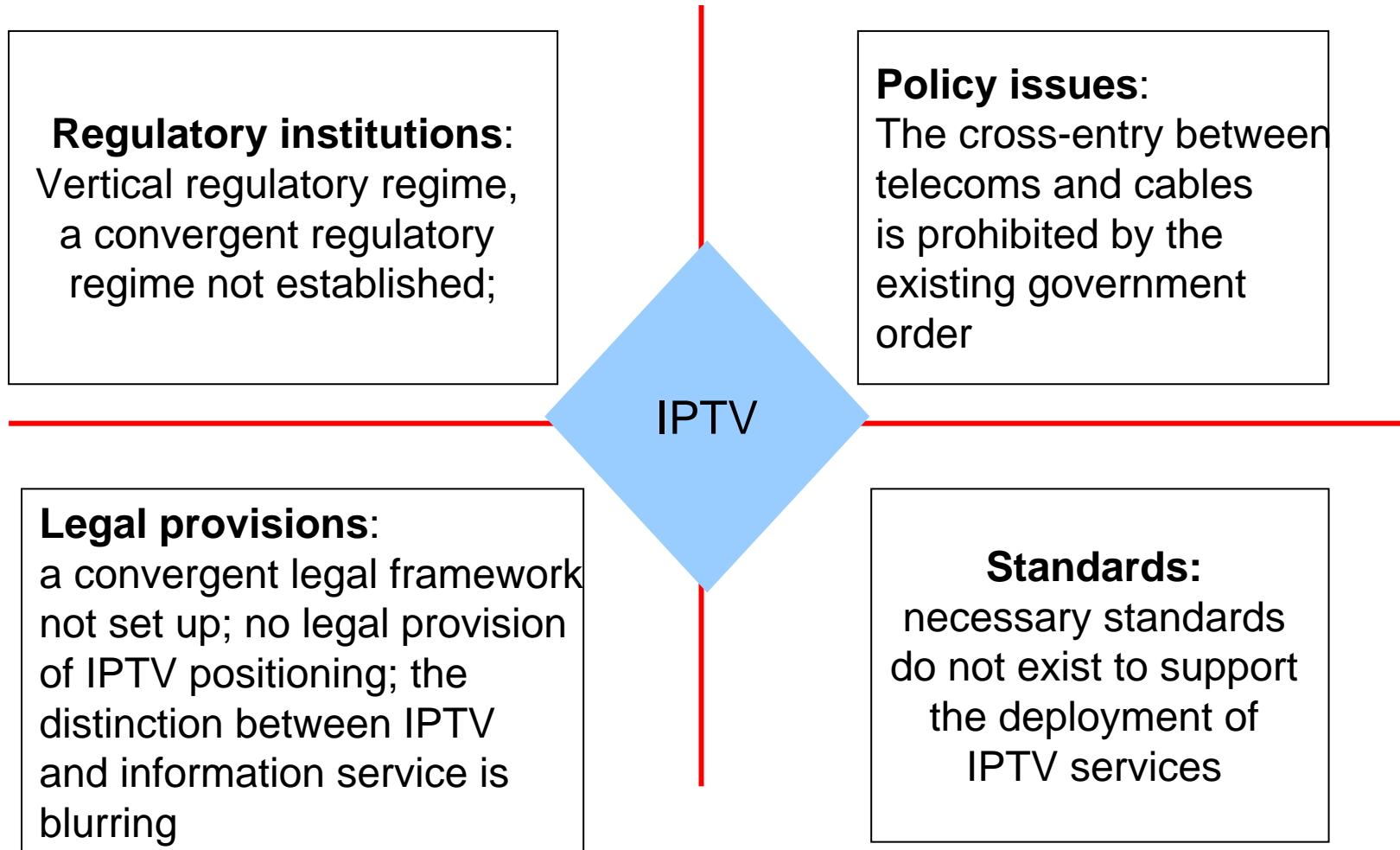
# Regulatory framework for IPTV services

<b>Business Activities</b>	<b>Administrative departments</b>
Service Approval of VOD service	Provincial radio and broadcasting bureau
Granting license of transmitting audio and visual programs on the net.	SARFT
Service Approval of the operation of transmitting radio and television programs within or across the provinces.	SARFT
Basic telecom and value-added telecom service across regions.	MII

## (2) Regulatory policies for IPTV

	Network regulation	Content regulation
<b>Objectives</b>	<ol style="list-style-type: none"> <li>1. Guarantee citizens basic right of communication</li> <li>2. Improve the net cover rate and utilization ratio</li> <li>3. Guard the network safety</li> <li>4. Promote efficient and effective competition and guarantee market order</li> </ol>	<ol style="list-style-type: none"> <li>1. Public influence control</li> <li>2. Cultural protection</li> <li>3. Protection of minors</li> </ol>
<b>Main legislation</b>	<ol style="list-style-type: none"> <li>1. <i>Telecommunications Ordinance</i> and correlative managerial stipulations</li> <li>2. <i>NPC standing committee's Decision on Maintaining Internet Security</i></li> <li>3. <i>Protective Rules of Radio and TV Facilities</i></li> </ol>	<i>Protective Rules of Radio and TV Facilities</i> and many stipulations issued by State Administration of Radio Film and Television, Telecom, as well as correlative sectors of news, publication, police and cultural education
<b>Contents</b>	Market access ; Access and interconnection ; tariff regulation; resources management ; Supervision of standards and facilities ; universal service ; Supervision of security	Content Production, Integration, transmission and broadcasting

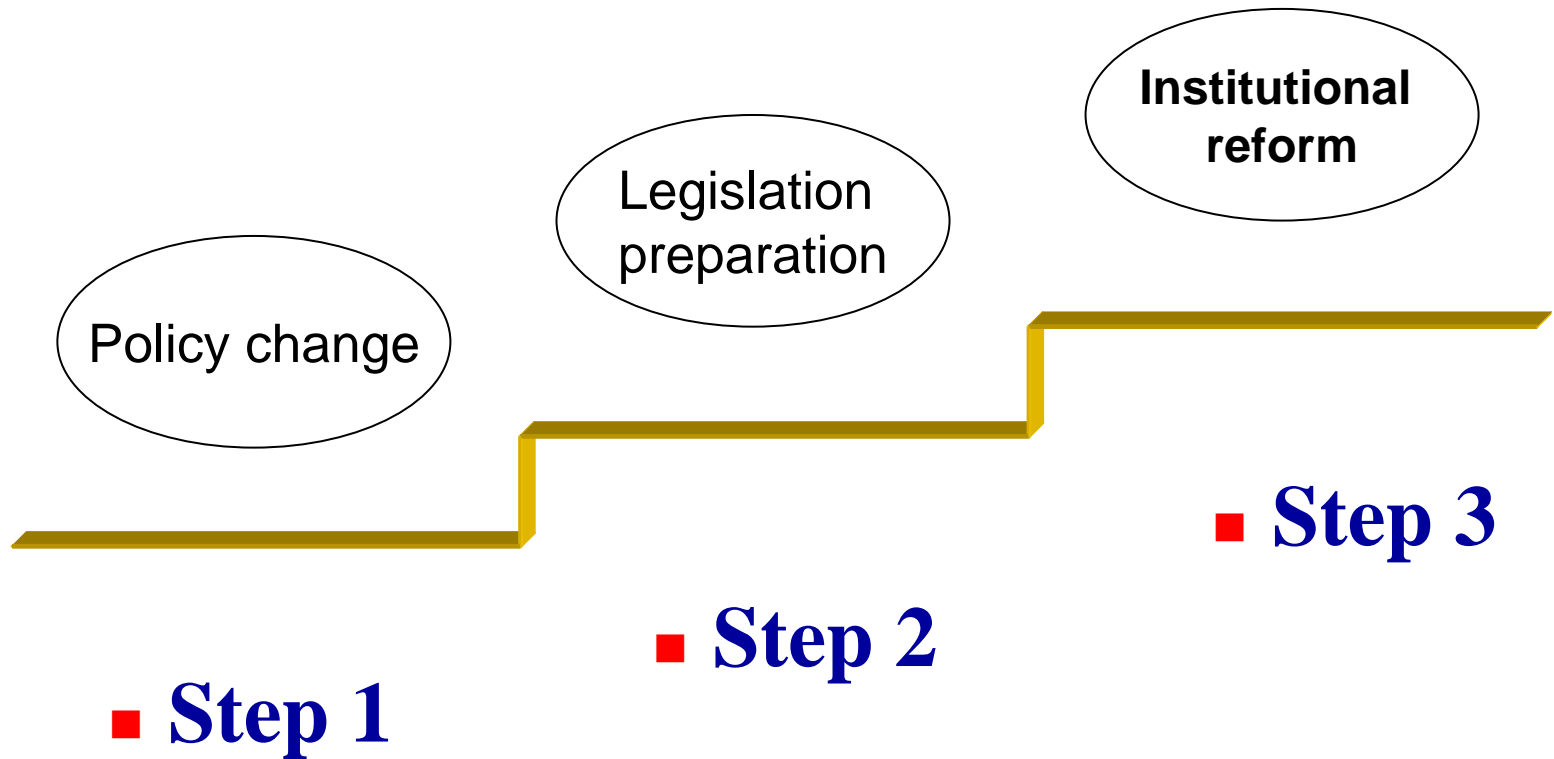
# Regulatory obstacles



- **The transformation of telecom operators in China**
- **The development of IPTV and its related problems in China**

● **Strategies to promote network convergence in China** ✓

# Steps to promote convergence



## ■ Policy adjustment

- **Revising or eliminating the inconsistent or infeasible polices that detain the development of convergence businesses.**

## ■ legislation

- **Convergent legislation be enacted for the smooth development of convergent services, such as IPTV, Mobile TV, etc..**
- **Telecommunication Act (draft) should accommodate the trend of convergence.**

## ■ Regulatory institutions

- **Network regulation and content regulation should administered by separate departments.**

## ■ legislation

- **Information Security Law or Information Security Rules should be enacted as soon as possible.**

\* Footnote

**Thanks!**