

# Research Report on Mergers and Service Development of Chinese Telecommunications Industry, 2009

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## Abstracts

China Telecom was called Directorate General of Telecommunications, P&T, China at first. In 1995, it was registered the legal representative, from then on, separating enterprises from government management. In 1998, the post and telecommunications services separated, specializing in the telecommunications operation. In 1999, the services, satellite services and mobile services were separated out from China Telecom. In 2000, China Telecom was established officially.

During 2001 to 2002, in order to break monopoly in the fixed telecommunications field, having been separated the mobile services, China Telecom was divided into the north and south part. In May, 2005, newly reformed China Telecom and China Netcom were established officially. The telecommunications companies in ten provinces, including Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia of North China, Liaoning, Jilin and Heilongjiang of Northeast China, Henan and Shandong, belonged to the north part of China Telecom. Others belonged to the south part of China Telecom.

China Netcom Group Corporation (Hong Kong) Limited was merged by the north part of China Telecom together with China Netcom and Jitong Network Communications Company Limited.

The south part of China Telecom maintained the name, possessing the name of China Telecom and the intangible assets. Chinese telecommunications market was gradually formed the competition patterns with the basic telecommunications companies of China Telecom, China Netcom, China Mobile, China Unicom, China Satcom and China Tietong.

During the long development process, China Mobile Limited had been the giant of Chinese mobile communications industry. In 2008, the service revenues of China Mobile Limited reached to 412.3 billion Yuan (58.9 USD), up by 15.5% of 2007, realizing the annual net profits of 112.8 billion Yuan, up by 29.6% of 2007. Calculation by the users, China Mobile Limited had been the largest operator of Chinese mobile communications. By the end of December, 2008, the users of China Mobile Limited were 457.3 billion, up by 23.8% of 2007, the revenues and profits of China Mobile Limited exceeding the total sum of China Telecom and China Unicom.

By the end of May, 2008, the prelude of the fourth reform of Chinese telecommunications industry was officially started. The CDMA internet merged by China Telecom, China Tietong entry China Mobile, the integration of China Unicom and China Netcom, represented that Chinese telecommunications industry had entered the age of tripartite confrontation. After the mergers, the reformed China Telecom, China Mobile and China Unicom all had fixed networks, mobile licenses, the qualification of all service operations, marking the new competition stage of Chinese telecommunications industry.

There are three purposes for the mergers: first, strengthening the competitiveness of the operators; second, changing the disparate competition pattern; third, creating service reform opportunities for the operators.

The newly built China Unicom obtained the 3G license, the largest scale and well-rounded in the world. Because of its mature industry chains and the low price for the equipment, the newly built China Unicom had advantages in the competition of 3G service.

Meanwhile, WCDMA service is the technical standard of 3G in the world, the fastest growth in the users. It had obvious competition advantages compared with the CDMA2000 services, especially the later reform towards 4G. At present, WCDMA standard is the most mature, receiving supports from various major telecommunications equipment manufacturers. However, the market operation capacity of China Unicom fell behind China Mobile. The development perspectives of WCDMA services in China need further investigation. By the end of 2008, the accumulative GSM mobile phone users of China Unicom reached to 133.365 million and 100.146 million of the fixed phone users.

China Telecom is the largest operator of the fixed phones. By the end of 2008, the users were more than 208 million, but the users cut down by about several million in each month averagely. Since its acquisition of CDMA services of China Unicom, the CDMA users decreased in a successive three months in the end of 2008. By the end of

2008, the CDMA users of China Telecom totaled 27.91 million, down by 1.17 million compared with the beginning of acquisition. But the CDMA users increased in the beginning of 2009.

The internet users of China Telecom were 44.27 million at the end of 2008, accumulative net growth by 8.62 million in 2008. The internet users of China Unicom were 25.416 million at the end of 2008.

Although the internet users of China Mobile were very small, China Mobile had started the network construction in the whole country because of its abundant capital. It is predicted that its users will grow at a fast speed.

The TD-SCDMA standard operated in China Mobile belonged to Chinese independent 3G standard, falling behind of WCDMA and CDMA2000. But out of the consideration of the services, the giant position of China Mobile could not weaken in Chinese mobile communications market. It is possible for China Mobile to obtain another WCDMA license in recent years.

More following information can be obtained in this report:

- Merger History of Chinese Telecommunication Industry
- Present Development Situations of Chinese Telecommunication Industry
- Supervision Policies of Chinese Telecommunication Industry
- Major Operators and Their Operations of Chinese Telecommunication Industry
- Development Perspectives of TD-SCDMA Services in China
- Development Perspectives of WCDMA Services in China
- Development Perspectives of CDMA2000 Services in China
- Development Perspectives of Internet Access Services in China
- Factors Affecting the Development of Chinese Telecommunication Industry

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