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TITLE: The State of Telecommunication Statistics in PRC

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I Telecom Statistics Collection and Dissemination

The State Council of the People's Republic of China authorizes the Ministry of Information Industry (hereinafter referred to as “MII”) to collect and disseminate communication industry statistics. Communication industry statistics are very important to national statistics. Communication industry in China consists of telecommunication industry and postal industry. This presentation mainly focuses on the issues of telecommunication statistics.

1. The Objects of Telecom Statistics

The objects of telecom statistics are comprised of public basic telecom network, value-added service (hereinafter referred to as “VAS”) providers, special communication network and Internet.

Public basic telecom network refer to the telecom network operated by 6 basic operators namely China Telecom, China Netcom, China Mobile, China Tietong and China Satcom.

VAS providers are companies who acquire *the License of Value-added Service Operation* and operate value-added telecom service. There are around 18,000 such providers all around China.

Special communication network refer to the telecom network set up by middle or large sized regional factories and mines and departments of power, water resource and public security. Special communication network are not for the purpose of making profit but to meet the needs of manufacturing, commanding and controlling. In some cases special network owners may set up the network by utilizing the existing public telecom network facilities.

2. Classifications of Telecom Indicators

Generally speaking, we divide telecom indicators into 5 categories:

- telecom turnover indicators,
- telecom network capacity indicators,
- communication level indicators,
- communication benefit indicators
- communication investment indicators.

3. Channels for Telecom Statistics Collection

In a certain period (this period could be a month, a quarter or a year), Basic telecom operators report public basic telecom network indicators to MII; VAS providers report value-added telecom service indicators to MII; special communication network owners report special communication network indicators to MII; China Internet Network Information Center reports Internet indicators to MII.

4. Channels for Telecom Statistics Dissemination

The Ministry of Information Industry disseminates telecom indicators mainly in 4 ways:

- Website, especially the Website of MII www.mii.gov.cn
- Newspapers and magazines, e.g. *People's Post and Telecom News*
- Published books, e.g. *Annual Report on China Communication Statistics*
- Meetings, e.g. Development and Policy Guidance Conference of China Telecom Sector.

II Telecom Sector-specific Statistics in 2005

In 2005, the total turnover of the telecom sector exceeded 1 trillion RMB yuan. With the number of Internet users breaking the mark of 100 million, broadband had become the mainstream for Internet access. The number of administrative villages having access to telephone service was going up rapidly. The fixed assets investment exceeded 200 billion RMB yuan for six consecutive years and investment to revenue ration was cut by 50% as compared with that at the end of the Ninth Five Year Plan Period, signaling a more rational investment. The telecom market was getting more matured, telecom business scope was further expanded, the quality of service was being enhanced, the regulatory system was steadily improved with more scientific and effective regulatory means employed, and an orderly market competition landscape was taking shape. In addition, more diversified players were allowed into the market, e.g. 97% of the existing 17,300 VAS providers were private companies, and over 60 companies operating in the basic telecom sector had incorporated non-state-owned capital.

1. Sustained Development of the Telecom Industry, and the Tenth Five Year Plan Targets Accomplished

In 2005, China's telecom industry accomplished all the targets of the tenth Five Year Plan. The total turnover increased rapidly to 1.1403 trillion RMB yuan, a growth of

24.7% over 2004. The telecom business revenue grew steadily to 584.01 billion RMB yuan, an increase of 11.4% over 2004, contributing 3.2% to GDP. The added value of the industry reached 383.1 billion RMB yuan, 2.3% of GDP. The telecom subscriber base was further expanded to 740 million by the end of 2005, boosting the telephone penetration rate to 57.3%.

In 2005, the major telecom services kept rapid growth. Inter-city voice traffic hit 622.24 billion times, increasing by 5.6%; fixed long-distance airtime was up to 89.42 billion minutes, increasing by 20.6%; mobile airtime hit 1.255074 trillion minutes, increasing by 32.3%, of which long-distance took up 71.26 billion minutes, increasing by 18.1%; IP airtime reached 134.02 billion minutes, increasing by 16.6%; and mobile SMS volume hit 304.63 billion pieces, increasing by 40.3%.

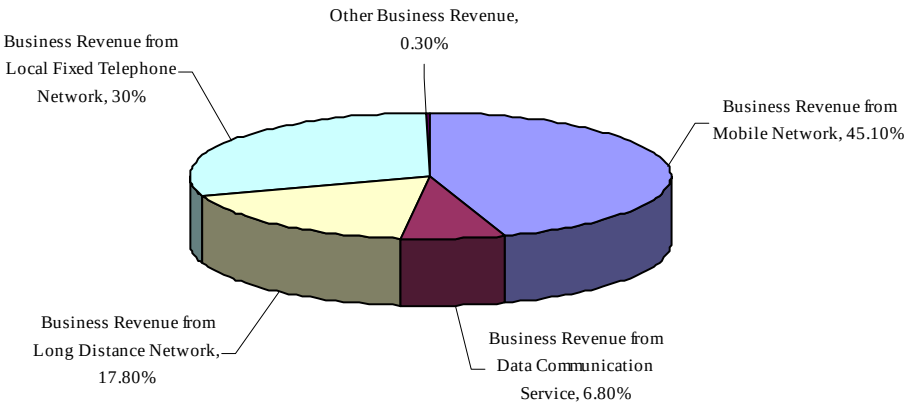
2. Growth of Telephone Users Slowing Down, Mobile Phone Playing a Stronger Role in Industry Growth, Broadband Growing Popular for Internet Access

In 2005, China added 97.27 million telephone users, 16.61 million less than the net addition in 2004. The growth of telephone users (including both fixed and mobile) was slowing down. The net addition of fixed users witnessed a year-on year decrease of 10.32 million, and mobile 6.29 million. The share of PHS in the newly-added fixed market decreased by 3.5%, playing a weakened a weakened role in driving the growth of fixed users.

Mobile cannibalization was becoming an increasing threat for fixed operators. In 2005, the net addition of mobile users was 1.5 times that of fixed. If PHS (with mobile characteristics) was counted as mobile service, the proportion would be further expanded to 4.3 times.

From the perspective of revenue, there is no substantial difference between 2005 and 2004. But revenue share of mobile communications and data communications did witness a slight increase, while that of fixed local and long-distance telephone services a slight decrease.

Figure: The Revenue Structure of Telecom Service in 2005



3. The Scale of Telecom Network Continued to Expand and New Technologies Were Applied

In 2005, the optical cable lines were lengthened by 554,000 kilometers, totaling 4.072 million kilometers; and with an additional cable core length of 9.547 million core kilometers, the total core length reached 75.966 million core kilometers. The switch capacity of fixed long-distance telephone reached 13.716 million lines, an addition of 1.086 million lines; the office switch capacity reached 471.961 million lines, an addition of 48.493 million lines, of which the capacity of the access network equipment reached 211.207 million lines, an addition of 38.308 million lines. The mobile telephone switch capacity reached 482.417 million lines, an addition of 85.574 million lines. The utilization rate of the fixed telephone switches and mobile ones reached 74.6% and 81.4% respectively. The broadband Internet access added 12.966 million ports, making the total 48.747 million. The International outbound bandwidth reached 136,106M.The number of websites hit 694,000 and 2.592 million domain names were registered.

4 The Investment Scale Remained Stable, While the Overall Efficiency of the Industry Increased Gradually

In 2005, the investment on fixed assets for telecom industry totaled 209.78 billion RMB yuan, decreased by 4.6% over the previous year. The investment on fixed assets has exceeded 200 billion RMB yuan for the sixth consecutive year. The telecom operators were more prudent on the investment, which had several reasons; the investment period for the large scale construction of the existing network has been basically finished, the capacity expansion and optimization will be conducted mainly

according to the development of the subscribers; the estimation of the enterprises for 3G affected part of the investment; the insufficient innovation capacity caused the lack of new investment hotspots; the attention of the capital market to the enterprises' investment rate of return, etc.

5 The Project of "Telephone Service Available to Every Village" Had Achieved Staged Results, and the Level of Informatization Had Increased Continuously

In 2005, the project of "Telephone Service Available to Every Village" had achieved outstanding results. 45,913 administrative villages had newly accessed to the telephones in this year. 97.1% of the administrative villages in China had access to the telephones, up by 6% over the year 2004, which overfulfiled the goal of the telecommunication universal service for the Tenth Five Year Plan. The implementation of the project of "Telephone Service Available to Every Village" increased the level of the telecommunication universal service, improved the communications infrastructure in the countryside and promoted the development of the communications in the rural areas.

6 The Level of Telecommunication Service Highly Increased, and the Service Quality Significantly Improved

In 2005, the penetration rate of the telecom services in China was further increased. The penetration rate of the telephones reached 57.3 per hundred persons, up by 7.3% over the year 2004, among which the penetration rate of the fixed phones reached 27.3 per hundred persons, increasing by 2.9%, and that of the mobile phones reached 30 per hundred persons, increasing by 4.4%; the penetration rate of the Internet reached 8.6%, up by 1.3%.