

China excited for IPTV

Its government may impose stringent regulations on the media sector. It may still suffer from inadequate bandwidth and rampant piracy problems, and Internet protocol television or IPTV may still be in its infancy there. Yet, despite these hurdles, China seems to be all set to emerge as the largest market for IPTV, which say industry experts, is even set to beat current biggies like Italy, Japan and Hong Kong.

"Compared to the size of its economy and the fact that it is the biggest broadband market -- with 30 million subscribers and growing -- in the world, IPTV hasn't been able to make much of an impact in China yet," says Joe Lin, the co-founder of Streaming21, a Beijing-based provider broadcast and media-on-demand software applications. "But in about two years China is expected to be the biggest market in the world."

Lin is not alone. Siemens Communications, which launched IPTV in Shanghai two weeks back in collaboration with Shanghai Telecom Company (a subsidiary of China Telecom) and Shanghai Media Group (the content provider), too says that the Chinese IPTV market is set to boom.

"China is set to emerge as one of the largest IPTV markets in the world," said Andreas Mueller-Schubert, Siemens Communications head of fixed networks solutions, at the launch. "We are very optimistic about the Chinese IPTV market," he added, while an estimate by Siemens reveals that by 2009 the Chinese demand alone could represent one-quarter of the global market.

Indeed, given that its huge size dominates the expectations of almost everything new in the technology world, the fact that IPTV has been a non-starter yet in China is interesting.

China currently has over 50 million computer owners, over 348 million telecom subscribers, over 100 million Internet users -- with 30 million broadband users, 400 million television sets, and an estimated television audience of over one billion -- including 150 million cable TV subscribers.

But even as it has become a symbol of the convergence of television and telecommunications networks internationally, IPTV penetration eludes the Chinese market even as some of its regional peers -- like Japan and Hong Kong -- introduced it almost two years back.

According to Lin, the prospects for IPTV are the brightest in the Asia Pacific region, with Japan currently, "the number one" market. Its five IPTV broadcasters have about "200,000 subscribers on an average." However, the country's broadband subscriber population at about 20 million is below China's.

The other two markets in the region with good IPTV potential are Hong Kong and Taiwan. Hong Kong has just one IPTV player -- PCCW -- that has about 600,000 subscribers. In Taiwan there are about 80,000 IPTV users, but Lin says "they are going to grow to half a million users by the middle of 2006."

Strangely, from a worldwide perspective too IPTV adoption has been streaky. According to Point Topic, a U.K.-based telecom research firm, some key large markets like Korea and Germany have not started IPTV yet. In others, like in the United States (200,000 subscribers) and the United Kingdom (24,000), IPTV serves only niche audiences, while in "more accommodating" and mature markets like France the IPTV subscriber base is just about 270,000. Italy is the only exception in the West with the largest IPTV subscriber base at about half a million.

Nevertheless, despite its scorching potential, one of the biggest obstacles to IPTV's growth in China has been the "regulatory barrier" that has been seriously thwarting creation of new business models and its rapid take-off.

A regulation issued recently by the State Administration of Radio, Film and TV (SARFT), in effect, restricted telecoms operators from delivering IPTV to television sets. Only TV stations and media firms are eligible to apply for permits to operate various IPTV services. And although many were -- and still are -- keen to tap this opportunity, in April last year the Chinese government issued the first IPTV license (handset and TV) to Shanghai Media Group, signaling the official start of IPTV's journey towards recognition as a television industry.

The second problem has been the availability of inadequate bandwidth. "To deliver TV or DVD quality IPTV content, we need bandwidth of three to four mega bits per second (mbps) but the maximum bandwidth available in China is one mbps," says Lin. "So infrastructure has been a problem as well."

"However," says Lin, "yet another big issue is content, which in fact is a challenge." According to him the Chinese entertainment industry is peculiar in the sense it encourages piracy "to its full extent."

For instance, "even as Chinese viewers can afford to pay for content, they look for only pirated content," says Lin. "The Japanese viewers on the other hand are not only willing to pay for content, they also appreciate content rights."

Still, according to Lin, from 2007 the Chinese IPTV will explode because the government will ensure that all hurdles regarding "propaganda" are removed.

"The Olympics in 2008 in Beijing and the World Expo in 2010 in Shanghai will ensure that the IT industry and the government will throw in their might to ensure a smooth introduction of all cutting edge communication technologies," says Lin.

IPTV has the combination of advantages and characteristics of telecom, TV and Internet and a great multimedia communication tool. "The Chinese government would want maximum publicity and huge money from sponsor, and would thus ensure that its hurdles are removed," he adds.

Small wonder then that Analysys International, a Beijing-based provider of technology business information, predicts that "despite obstacles, users of IPTV in China will reach 1.17 million by end of 2005; 2007 will be a year of explosion of IPTV users, and finally by 2009 IPTV users will reach 16.65 users."

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