

# PAS sector continues growth in China

July 15 2005

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Some analysts warn that 3G may spell the end for PHS/PAS wireless technology, but its low cost to service providers and user affordability has resulted in continued subscriber growth in China.

The Personal Handyphone System was first developed by Japan's NTT in 1995. China's UTStarcom adopted PHS in 1998, recasting it as the Personal Access System. In March 2005 the EE Times described the technology as the "poor man's mobile" and a "glorified cordless phone," because small radius base station -- also known as picostation -- devices are attached to copper-wire transmission lines used for fixed phone service. Users of the technology are willing to make the trade off of limited network service range for extremely low cost telecommunications, something ideal for many developing countries. Along with deployments in Japan, China and Taiwan, Asian countries like Bangladesh, Thailand and Vietnam are experimenting with the system. Africa's most populous nation Nigeria plus Mali and Tanzania all have trials underway while Chile and Honduras in Latin America are also looking at PHS/PAS.

Simon Le, senior vice-president of sales for UTStarcom China, told reporters this week that PAS continues to be the best technology satisfying market demand for wireless telecommunications services in China, as well as a key business driver for fixed-line operators. In China, the \$100 million network expansion contract signed this week between UTStarcom and China Telecom points toward continued growth in Internet-protocol-based PAS technology sector. The company will be expanding China Telecom's PAS networks in Jiangsu, Zhejiang, Hubei,

Guangdong, Fujian and Yunnan provinces, the Guangxi Zhuang Autonomous Region and the Shanghai Municipality.

Last week the company signed an infrastructure deal valued at \$67 million with China Netcom Group, China Telecom's rival in PAS service sector. UTStarcom is expanding Netcom's PAS networks in Heilongjiang, Liaoning, Shandong, Inner Mongolia Autonomous Region and the Beijing Municipality.

Ted Dean, managing director at BDA, a telecommunications consultancy told United Press International "subscriber growth has been strong and both China Telecom and China Netcom are feeling the push to provide new capacity to meet demand."

PAS user figures grew 12.5 percent through the first five months of 2005, topping the 77 million subscriber mark by the end of May, according to data from the Ministry of Information Industry appearing in Wednesday's China Daily. PAS subscribers accounted for approximately 60 percent of all new fixed-line users in China up to June this year. All of this is good news for UTStarcom, which enjoys a 60 percent market share in the PAS sector, twice as large as its closest rival, ZTE Corp, the other major firm selling to telecom service providers and handset users. UTStarcom introduced 21 new PAS handset models to the market in 2004, including the first detachable PIM, or personal-identity module, card handset. Le noted his company continues to dominate the PAS handset market with more than a 60 percent market share during the first half of 2005.

UTStarcom reported net sales of \$901.8 million for the first quarter this year, an increase of 44.9 percent over the \$622.3 million earned in the same period in 2004. Hong Lu, the company's chief executive officer and president, said first-quarter earnings results demonstrated the progress the firm had made in globalization and diversification of

UTStarcom over the past 12 months.

State-run media has noted both China Telecom and China Netcom, the country's two fixed line phone service providers, have spent hundreds of millions of dollars in the past two years on PAS. Chinese regulatory officials have granted neither wire line provider GSM nor CDMA mobile phone service licenses.

According to Yang Qing, deputy director of the TeleInfo Institute at the China Academy of Telecoms Research, a unit under the MII, PAS is unlikely to continue its momentum in the coming years once China rolls out its 3G strategy. Analysts anticipate this will include granting wireless licenses to China Telecom and China Netcom. Yang was quoted in the local media saying there is still market potential for PAS, although the growth rate will gradually slow down. She said PAS needs to make improved value-added services its top priority for continued revenues as the technology will lose its advantage of providing cheap rates as soon as 3G comes out.

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Citation: PAS sector continues growth in China (2005, July 15) retrieved 18 July 2024 from <https://phys.org/news/2005-07-pas-sector-growth-china.html>

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