

Phil Colby

Vice president technology

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Region: China

Chasing the dragon

When it comes to big numbers and big potential China is a market that must be at the top of the wish list of any CEO with aspirations to grow. "China is really the last major market that hasn't been tapped very much by international groups," says Phil Colby, vice president technology LGI Ventures, the venture capital arm of Liberty Global International.

He adds: "From a cable TV standpoint, today there is an estimated 175 million to 200 million cable TV homes and that represents nearly a quarter of the entire global cable TV households. China is on the cusp of a major revolution with the introduction of triple-play systems, so we see an opportunity to be in there early and to take full advantage of the changes."

But as all foreign companies have discovered, developing a business in China is not for the impatient, and joint ventures and partnerships are the only game in town.

Navigating the limits of strict regulations can also be daunting as Rupert Murdoch among others has discovered. In August, News Corp sold control of its three Chinese TV channels to a Chinese state-controlled private equity fund backed by Shanghai Media Group and China Development Bank.

Google has had issues with its search engine being blocked and its video sharing site YouTube is banned in China as is Facebook.

Non-Chinese companies with aspirations to deliver content, particularly video content, face the toughest regulatory hurdles, but infrastructure companies interested in building networks or supplying components to networks also have challenges.

"It is almost impossible for an international group to go into China and set up on their own," notes Colby, "Virtually every cable company and telephone operator in China is either 100% owned or majority owned by the state. So you can't go in there and start building networks. It is just not allowed."

Liberty Global International has been in China for many years through a small programming venture, but in the last two years the company has re-focused its energy and initiatives on broadband cable.

"Foreign entities are prohibited from being involved in the distribution of broadcast video content so that means they cannot be involved in the day-to-day management of the video piece of a cable company," says Colby.

"We are focusing on the management of broadband and telecoms because there are areas where it's easier to do partnerships."

China represents a massive new media market but exploiting the opportunity means strong local knowledge

Business

By Kate Bulkley

“The biggest hurdle to doing business in China is regulatory”

To that end in 2008 Liberty struck a joint venture deal with Beijing's cable operator Beijing Gehua CATV Network. In testament to the patience required to do business in China, some of the regulatory issues and business details around that 2008 deal are yet to be worked out.

"China is not about signing a piece of paper today and getting to work tomorrow," says Colby, who has been working in China for the last three years.

Colby echoes other China hands when he says that the biggest hurdle to doing business in China is regulatory. The state council only announced revised regulations on triple-play (cable TV, broadband and telephony) networks in January this year after nearly four years of discussions.

The state has also imposed a mandatory trial period for triple-play services in 12 cities that will run until 2012 before a national rollout is allowed.

In addition to these requirements the state is also mandating a consolidation of the estimated 1,000 cable networks under an umbrella of 31 provincial networks.

And recently the State Administration of Radio, Film and Television (SARFT) has said it intends to consolidate radio and TV networks to create a single, national cable TV network company with a reported start-up budget of 80bn yuan (\$11.8bn), with contributions expected from both government and TV and radio companies. The ambitious government plan is to make the cable network compete more effectively with the telco network.

Colby remains sceptical as to the state's ability to create a single nationwide cable operator however. "They haven't been able to do it on the telco side," he points out.

Liberty is hopeful that its joint venture with Beijing Gehua Network will be a stepping stone to a bigger presence in China and it is betting on its 'one step at a time' approach to win in the end. "Go in small and expand as the opportunity expands," he advises. ■

800m
internet users in
China by 2014

Source: BDA China