China Mobile in research offer

By Andrew Parker in London
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China Mobile, the world’s largest mobile operator by market capitalisation, has offered to pay leading handset makers to help it solve severe technology problems that are threatening its expansion.

Wang Jianzhou, chairman of China Mobile, told the Financial Times that the company had approached Nokia, Samsung, LG and Sony Ericsson with an offer to co-fund research and development.

China Mobile’s offer shows the scale of its problems in developing third-generation mobile technology. Mobile operators rarely pay for R&D by handset makers.

The company is China’s dominant mobile operator, with 464m customers, who use second-generation handsets capable of making phone calls and sending text messages.

But unless China Mobile can solve its technology difficulties, it risks losing ground to China Telecom and China Unicom, its smaller rivals, which could gain 3G customers.

China Mobile is using an unproved 3G mobile technology called TD-SCDMA. The technology is supposed to enable internet access and other data activities on handsets but the company ran into significant difficulties last year. Customers who trialed the TD-SCDMA handsets last year reported several shortcomings with the products, according to BDA, an advisory and research firm.

Mr Wang said new TD-SCDMA handsets that became available in January were an improvement on last year but additional enhancements were required. China Mobile was willing to co-fund R&D with the handset makers in order to accelerate efforts to secure better quality TD-SCDMA mobiles as well as expand the range of products.

China Mobile sells a range of 40 TD-SCDMA handsets but Mr Wang said “several hundred” mobiles were required.

China Mobile wants so-called dual-mode handsets capable of running on both its 3G and 2G wireless networks.

At the Mobile World Congress in Barcelona last month, Mr Wang held talks with executives from Nokia, Samsung, LG and Sony Ericsson, plus some of China’s handset makers, about China Mobile’s proposal to co-fund R&D. “They were very excited,” said Mr Wang, who declined to specify how much funding China Mobile would make available to the handset makers for R&D.

He stressed that no agreement had been reached but said that one reason why China Mobile had offered to co-fund R&D was that some handset makers were finding it hard to increase spending in the financial crisis.