Telecompetition INC.

US Mobility Forecasts: 2003-2008

Worldwide - United States
50 States - 150 Metro Areas

Including subscriber, service revenue, and penetration rate forecasts

Mobile Voice and Mobile Data

US Mobility Forecasts: 2004 - 2008

February 2004

Telecompetition, Inc.
2694 Bishop Drive, Suite 212
San Ramon, CA 94583 USA
www.telecompetition.com
info@telecompetition.com

TEL: +1 925 543 5701
FAX: +1 925 543 5720

To order copies of US Mobility Forecasts, order product USMR011201

Copyright © 2004 Telecompetition, Inc. All Rights Reserved.

Cover image © Lorraine Capparell 1997. Reproduced with permission.
Artist may be contacted through Telecompetition, Inc.

ISBN: 0-9711821-2-4

This material is intended for Telecompetition, Inc., its clients and partners. This report is sold as a single-user license. Multi-user licenses are available at very reasonable rates. Quotation, citation, attribution, reproduction, or utilization of any portion of the publication by any party other than Telecompetition, Inc. is strictly prohibited without express written permission from Telecompetition, Inc. No part of this publication may be reproduced, stored in a retrieval system, or otherwise duplicated, without written consent. Permission will generally be granted to use individual charts, graphs and data points. However, proper citation and sourcing of Telecompetition, Inc. is required and a courtesy copy of the reference would be greatly appreciated.

Telecompetition, Inc. has taken all reasonable steps to ensure that the information contained herein has been obtained from reliable sources and that this publication is accurate and authoritative in all respects. However, nothing in this publication shall be deemed a warranty, implied or expressed.

The Telecompetition forecast methodology used in this report represents a powerful and consistent approach to developing a bounded forecast. Country-level forecasts are based on known or published demographic, firmagraphic, technological, economic and other factors built into the *ATIVA Research Tool*® model

Contact Information

Sales and General Inquiries

Telecompetition, Inc.

2694 Bishop Drive

Suite 213

San Ramon, CA 94583

info@telecompetition.com

+1 925.543 5701

Terry Young
Vice President & Principal Analyst
terry.young@telecompetition.com
+1 925 543 5724

Eileen Healy
President & CEO
eileen.healy@telecompetition.com
+1 925 543 5702

Reproduction in part or in whole is strictly prohibited without written permission.
Copies may be purchased by emailing info@telecompetition.com
© 2004 Telecompetition, Inc.

1. Executive Summary

By the end of 2003, the mobile industry was showing signs of renewed strength. Net adds in 2003 totaled nearly 14 M new mobile subscribers, up from 12M in 2002 and ending a two year decline. Wireless number portability, build out of 2.5G networks, and new service launches were milestones in 2003 marking the end of the industry downturn, and 2004 the beginning of a more mature market. From now through 2008, slower subscriber growth, intensified competition, renewed focus on customer retention, and building new revenue streams would now be the norm.

In 2003, the US mobile market exceeded 50% penetration of the population. Through 2008 subscriber growth will average less than 6% as the market approaches a maximum penetration rate of 70%. In the next five years (2004 – 2008), 50M new subscribers will be added vs. 68M new subscribers in the previous five years (1999 – 2003).

So what will the next five years bring to the mobile industry? By 2008, the US mobile industry will grow over 60% to $149B in annualized revenue, with over 200 M subscribers, and 70% of the US population. The industry strategy of encouraging customers to upgrade to higher usage and flat rate plans and “roll over” unused minutes will continue to stabilize voice ARPU. Total voice revenues will increase to $117B annually in 2008, up 30% from $90B in 2003. ARPU contribution from voice services will drop only slightly, less than half a percent per year.

By EOY 2003, AT&T and Cingular have largely completed their GSM network build out, offering GPRS to most metros in their serving areas. Sprint and Verizon now offer 1x capability to most metro areas in their footprint. As a result, revenues from Mobile Data are finally showing up in measurable quantities, with nearly 20% of mobile subscribers using some type of Mobile Data service in 2003. New services such as push-to-talk and photo messaging were introduced in 2003. Other mobile data services showing growth were SMS, ring tones, and other downloads. With higher speed networks in place and continued plans to migrate to 3G, Mobile data services, now contributing only 3% of total revenue are expected to increase to 25% or $32B annually. A little over 1/3 of mobile subscribers are expected to subscribe to an advanced mobile data service by 2008.

Most of the largest metro areas in the US have reached or exceeded 70% penetration. New subscriber growth through 2008 will be due to increased penetration of smaller metro areas, rural communities, less attractive market segments (lower income, bad credit, etc.) and increased substitution of mobile voice for wireline service.

Roaming revenues were flat for 2003 and are expected to decline by 3-4 % per year for the next five years. This is largely due to the expanded geographic footprint of the large carriers, and calling plans that include “free” long distance and roaming within that area.

Mobile communications provides a compelling value proposition to consumers and business and is increasingly becoming an indispensable communications service. Given this high value, we expect the industry to continue to find innovative services and applications to foster growth despite higher penetration rates and slower revenue growth. This is a dynamic industry that may evolve and change, but certainly not diminish in its significance to the US economy.

The introduction of voice over IP in both the wireline networks and wireless networks will provide even greater opportunity to create interesting new ways to package voice and data services and meet new user needs. Given these market dynamics, changes in the industry structure are inevitable. The next five years will see continued industry consolidation and tighter integration between wireless and wireline services and networks. The announced merger of AT&T Wireless

Reproduction in part or in whole is strictly prohibited without written permission.
Copies may be purchased by emailing info@telecompetition.com

© 2004 Telecompetition, Inc.

with Cingular and the consolidation of Sprint's wireless and wireline businesses are examples of what can be expected.

Reproduction in part or in whole is strictly prohibited without written permission.
Copies may be purchased by emailing info@telecompetition.com
© 2004 Telecompetition, Inc.