The TeleCompetition Group
FORECASTING & MARKET DATA

U.S. Mobile Market Share Estimates

End of Year 2004 by Carrier,
by State and Metro Area

May 2005

U.S. Mobile Market Share Estimates

End-of-Year 2004

By

Metro Area and State

ALLTEL, Cingular (merged with AT&T Wireless), T-Mobile, Sprint PCS, Nextel, US Cellular, Verizon Wireless, Western Wireless and All Other Carriers

May 2005

Mobile Subscribers and Share
Service Revenue and Share

U.S. Mobile Market Share Estimates: 2004

May 2005

TeleCompetition Group
2694 Bishop Drive, Suite 213
San Ramon, CA 94583 USA
www.telecompetition.com
info@telecompetition.com

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

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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

2694 Bishop Drive, Suite 213
San Ramon, CA 94583

USA

+1 925-543-5701

+1 925-543-5720 (fax)

www.telecompetition.com

info@telecompetition.com

Preface

Welcome to the Telecompetition US Mobile Market Share Estimates: EOY 2004

This report quantifies access demand by end-users for mobile services, by metro area and state, for each of the six major carriers plus one category for all others.

This report represents a view of the mobile market share at a fixed point in time. The overall market numbers presented in this report fairly represent the future potential for the market based on the current and anticipated market dynamics. The analysis done to develop the numbers in this report was in-depth, and considered both primary and secondary sources. Thoughtful consideration was given to the broader context of services and substitutes available outside the industry. At each step, conservative assumptions were made across a range of parameters including willingness to pay, adoption rates, penetration levels and many other considerations.

At the time of publication, the US technology market is undergoing considerable change, and at least a short-term slowing economic environment is evident. We believe the conservative assumptions made as the basis for the forecasts in this report are consistent with this economic environment.

In a dynamic market, the market must be analyzed in light of new changes. TeleCompetition Group monitors and analyzes the mobility market on a continual basis. We are pleased to present this annual report and will reflect the latest market conditions and dynamics as we update this report each year. Our patented technology allows us to concentrate on the continually changing dynamics and reflect those changes in the stored memory of the thousands of factors and coefficients used to produce these forecasts. Individual metro- or state-level data may vary based on the additional factors not currently reflected in the forecast for each area. Any insights or specific state, metro-area, or country-level comments or data provided by any reader will be considered and may be reflected in forecasts in future years. Such comments can be sent to info@telecompetition.com. We will respond to all such comments. Parties providing information that is used to refine these forecasts will be acknowledged in writing in future reports unless they wish to remain anonymous.

We appreciate the support you have shown by purchasing an electronic copy of this report. We also appreciate your strict adherence to the terms and conditions of licensing of the electronic version. This adherence allows us to continue to produce high quality market reports.

TeleCompetition Group
May 2005

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1. Executive Summary

The PCS auctions in 1994 launched a significant shift in the competitive landscape of the mobile industry. Once a duopoly, with limited geographic coverage and used mostly by traveling business professionals who could justify the high priced service, over the last decade mobile telephony has become a mass market, consumer service with multiple competitors in each market. The year 2004 launched the next wave of significant industry restructuring, with three recurring themes:

- Industry consolidation demonstrated by a series of completed and announced acquisitions that expand market share, complete national footprints, complement technology strategies, and help fund growth into new data services.
- Company strategies that address the convergence of wireless and wireline voice services, and the increasing substitution of wireless and VoIP for traditional wireline and long distance voice service.
- Increased competition in rural and small metro markets as the larger markets become saturated.

In October 2004, Cingular completed its acquisition of AT&T Wireless to become the nation's largest wireless provider with licenses covering 290M people and 49.1M subscribers. The operational cost savings and combined network efficiencies will help fund its 2005-2006 UMTS network build. Sprint also announced a planned merger with Nextel and recombined its separate wireless tracking stock in response to increased wireless substitution of its long distance business. In response to increased competition from national carriers, regional carriers have also taken steps to strength market position. ALLTEL has announced a planned merger with Western Wireless to expand its coverage and reduce roaming charges. Dobson Communications acquired NPI Omnipoint. The FCC required Cingular was required to sell of certain rural assets, in order to prevent market domination through its acquisition of AT&T Wireless.

Today, five national carriers lead in US market share, with no one carrier having a dominant position. Publicly traded regional carriers can provide a significant presence in the markets they serve. The carriers covered in detail in this report are:

- Cingular (merged with AT&T Wireless)
- Nextel
- Sprint PCS
- T-Mobile
- Verizon Wireless
- Selected Regional Carriers: ALLTEL, US Cellular, Western Wireless
- All Other Carriers

At EOY 2004, Cingular leads at 27% market share. Other carriers include Dobson and Triton PCS plus a number of smaller players in individual markets. The top five national carriers serve 80% of US subscribers. Collectively, ALLTEL, Western Wireless, US Cellular and All Other Carriers comprise 20% of the total US mobile subscriber base.

By the end of 2004, more than 60% of the US population subscribed to a mobile phone service. Many of the larger metro areas have approached or exceeded 70% penetration of the population. Consequently, increases in subscriber number are obtained through metro-by-metro fight between the top six carriers. Wireless local number portability (WLNP) implemented in 2003 makes it far easier for subscribers to change carriers. Mobile carriers have shifted their strategic focus from network build out and new subscriber acquisition to new service creation and customer retention.