Telecompetition Inc.

Worldwide Mobility Regional Summary Report: 2002

Mobile Voice, Mobile Data, International Roaming
Subscriber, Revenue, and Penetration Rate Forecasts
Asia Pacific, Europe, North America, Latin America,
and Developing/Emerging Economies

2001 -2010

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August 2002

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ISBN: 0-9711821-0-8

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

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1. Executive Summary

The past year has been a tumultuous one for the mobile industry. Once heralded as the high growth mobile companion to the seemingly unstoppable Internet frenzy, the mobile industry is now struggling to free itself from the downward spiral of the dot.com meltdown, general economic downturn, and declining stock values in the telecom sector. The high expectations for new mobile data services seem to have been replaced with equally unrealistic pessimism about the value of any mobility associated with the Internet. Incumbent mobile operators, some burdened by heavy 3G license fee payments, are balancing financial obligations and taking a hard look at any new service that requires additional infrastructure investment. Several European operators have announced plans to reconsider or delay 3G network build out. Clearly the mobile industry needs to adjust to a maturing market for traditional services and a more realistic outlook for new data revenue.

However, this report's forecasts are based upon total market demand for mobile services, not the financial misfortunes of individual operators. Despite the economic turmoil faced by mobile operators in the developed countries, from a global perspective, demand for mobile services is still growing. This is especially true in developing and emerging economies where mobile communications continue to be a lower cost network than wireline. Worldwide mobile subscribers in 2000 increased by 33% by year-end 2001. By comparison, growth in 2002 is expected to end at a more modest 16% (1.1B subscribers) – definitely slower, but still a respectable growth rate.

Two new trends made significant impact on our estimates of the mobility market for the coming years. Most significantly, the expected revenue lift from mobile data services didn't happen in 2001, and as a result of this and the other negative economic conditions, we expect build-out and adoption of the more advanced mobile data services to take longer than previously forecast. Secondly, mobile operators are reevaluating network technology options to UMTS/3G. This is due in part to the cost of deploying 3G technology, but also to greater understanding of the complexity in developing mobile multimedia services and related technology concerns such as handset shortages. Public WLAN services using 802.11 (WiFi) access in coffee shops, hotels, and airport hot spots has also emerged as a potential alternative to wireline broadband and 3G mobile access to the Internet. Some operators have announced intentions to incorporate wireless LAN into their network technology portfolio. We have concluded that a forecast based on a strict technology definition (3G vs. 2.5G, etc.) is not meaningful. We have, therefore, changed our forecast segmentation to one based on user segments. "Advanced Mobile Data" includes users of higher-end multimedia services with higher average monthly revenue; "Other Mobile Data" includes lower price messaging services such as SMS and email, and at significantly lower revenue per month.

This year's forecast report reflects slower growth penetration of both mobile voice and mobile data revenue. Generally speaking, future mobile growth in developed countries is lower than forecast in last year's report, while growth in many developing and emerging economies is higher. Mobile voice revenues of $383 billion in 2010 are 12% lower than our 2001 forecast report, due largely to a decrease in estimated worldwide subscribers, especially in Western Europe. Because of the rapid growth of SMS and Instant Messaging in developing as well as developed countries, our estimate of total mobile data subscribers is now 1.6M in 2010, an increase of seven percent from our previous year's report. Revenues for mobile data however are almost 25% less – a result of slower deployment of higher functioning 3G networks and less adoption of the most expensive services. International roaming continues to increase substantially in volume, but price per minute is expected to decline significantly. In 2010, International Roaming will contribute about 1% of total mobile revenue.