INTUG

Mobile telecoms
a global perspective

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evua, Milano 22-24.ii.2005

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INTUG contents

- about INTUG
- ubiquitous networks
- failed markets
- mobile Internet
- IP telephony
- challenges

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INTUG what are we?

- members:
  - national associations
  - corporations
  - individuals
- activities:
  - ITU and WTO
  - OECD
  - APEC TEL, CITEL and the European Union

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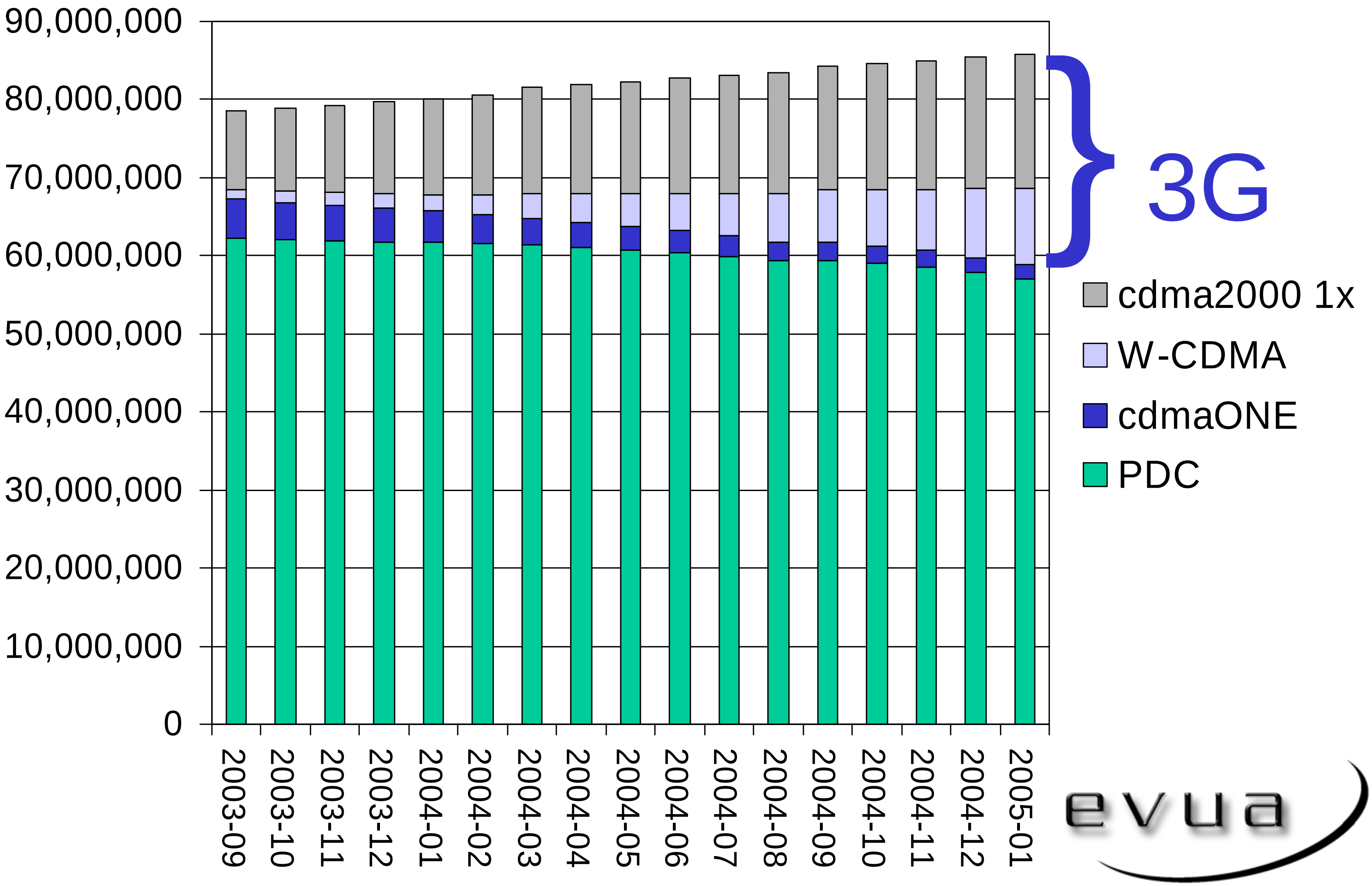
INTUG our aims

- real and effective competition
- genuine choice for users
- lower prices
- higher quality
- more innovative services
- constructive co-operation with
  - international bodies
  - governments
  - regulators

INTUG ubiquity

- any device, any network, any place
- government and business policy in Japan and Korea
- seems to presuppose:
  - competitive market structure
  - all operators have access to multiple network pathways
- new technologies and spectrum will be added incrementally to business and regulatory frameworks
- operators must ease customers onto new networks and services
- nobody controls bottlenecks

INTUG 3G in Japan



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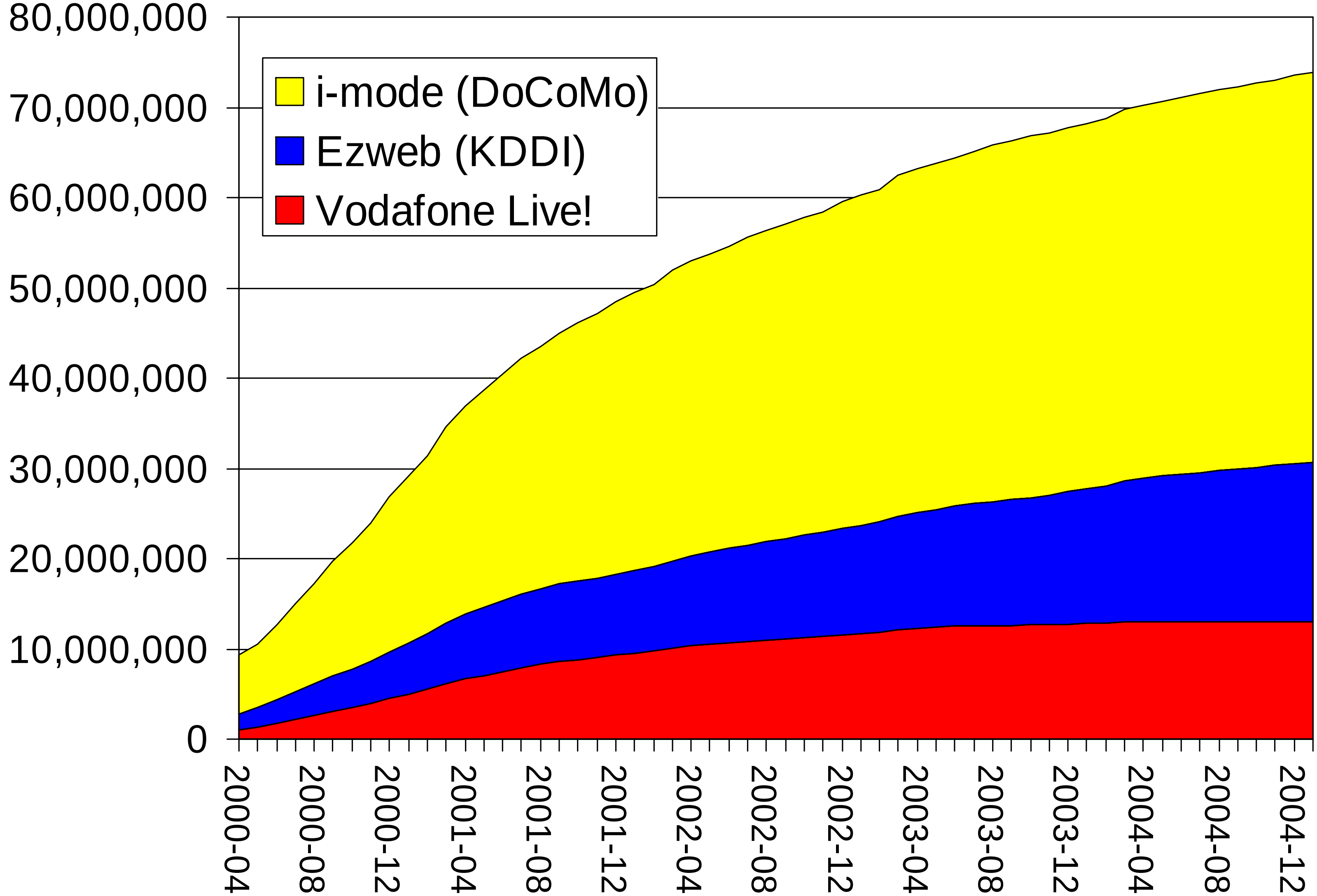
INTUG speed and scale

- to be ready for the next wave operators must rapidly build economies of scale
- so they must make new services:
  - exciting
  - free from hype
  - easy to use
- there will never be a 3G again:
  - too risky
  - instead it will be incremental, even invisible
- revenues from services, not from voice

INTUG mobile Internet in Japan



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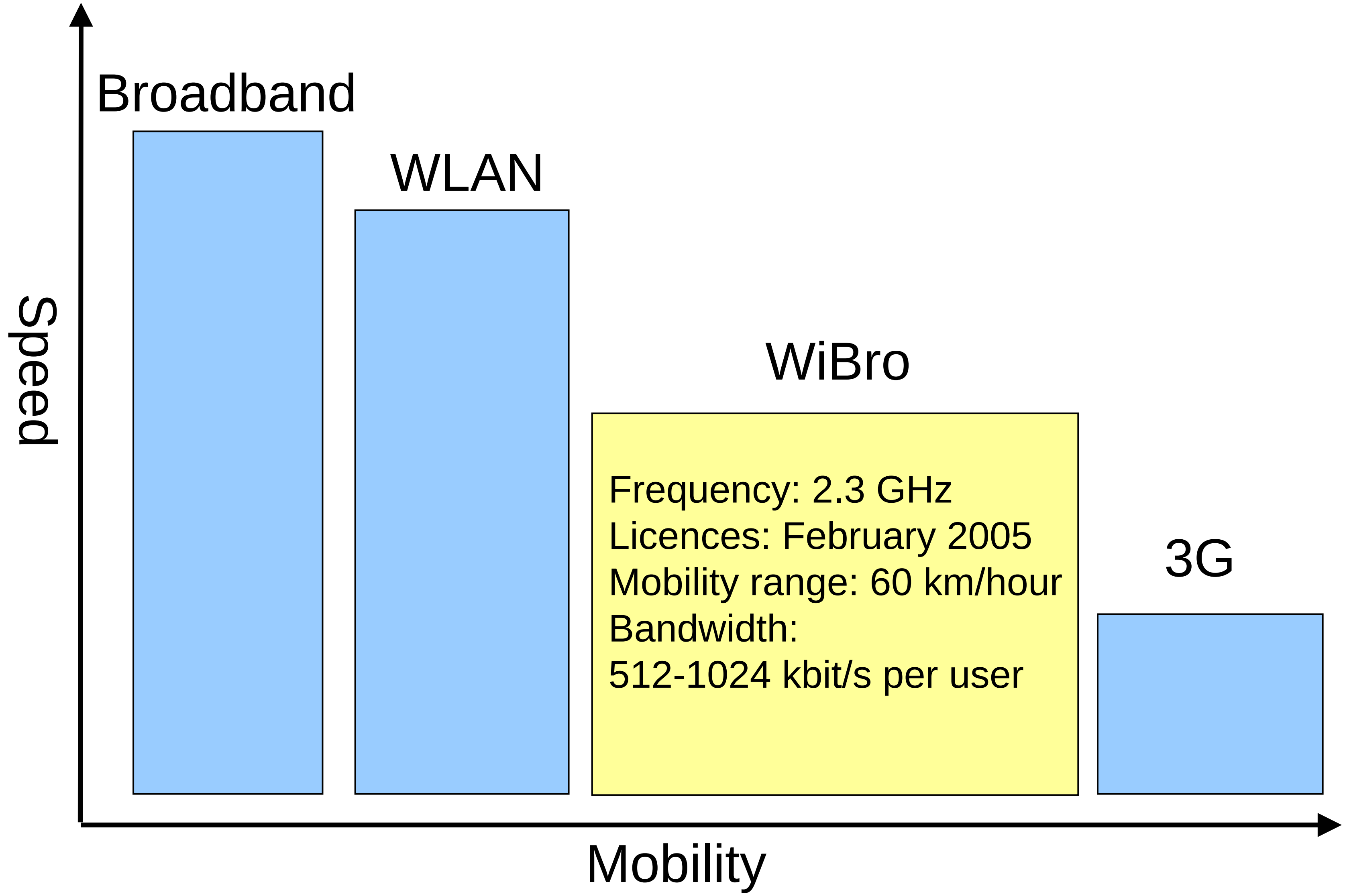
INTUG Korean wireless broadband



INTUG content delivery alternatives

- satellite broadcasting:
  - Digital Multimedia Broadcasting (DMB)
- terrestrial transmissions:
  - Digital Audio Broadcasting (DAB)
  - Digital Video Broadcasting (DVB)
- terrestrial broadband plus:
  - Wi-Fi hot spots
  - FWA, Wi-Max, Flash-OFMD, etc.

e.g., MP3 ringtones direct from broadband

INTUG mobile spam

- increasing problem:
  - SMS to call premium rate numbers
  - seen as very intrusive on personal device
- Japanese operators:
  - have struggled with this
  - high level of spamming “innovation”
- USA FCC working on opt-out
- but it can arrive by Wi-Fi, bluetooth, etc

INTUG enduring market failures

- handset subsidies
- call origination:
  - access to freephone
- mobile termination rates
- international roaming rates
- data prices
- SMS:
  - prices
  - golden numbers

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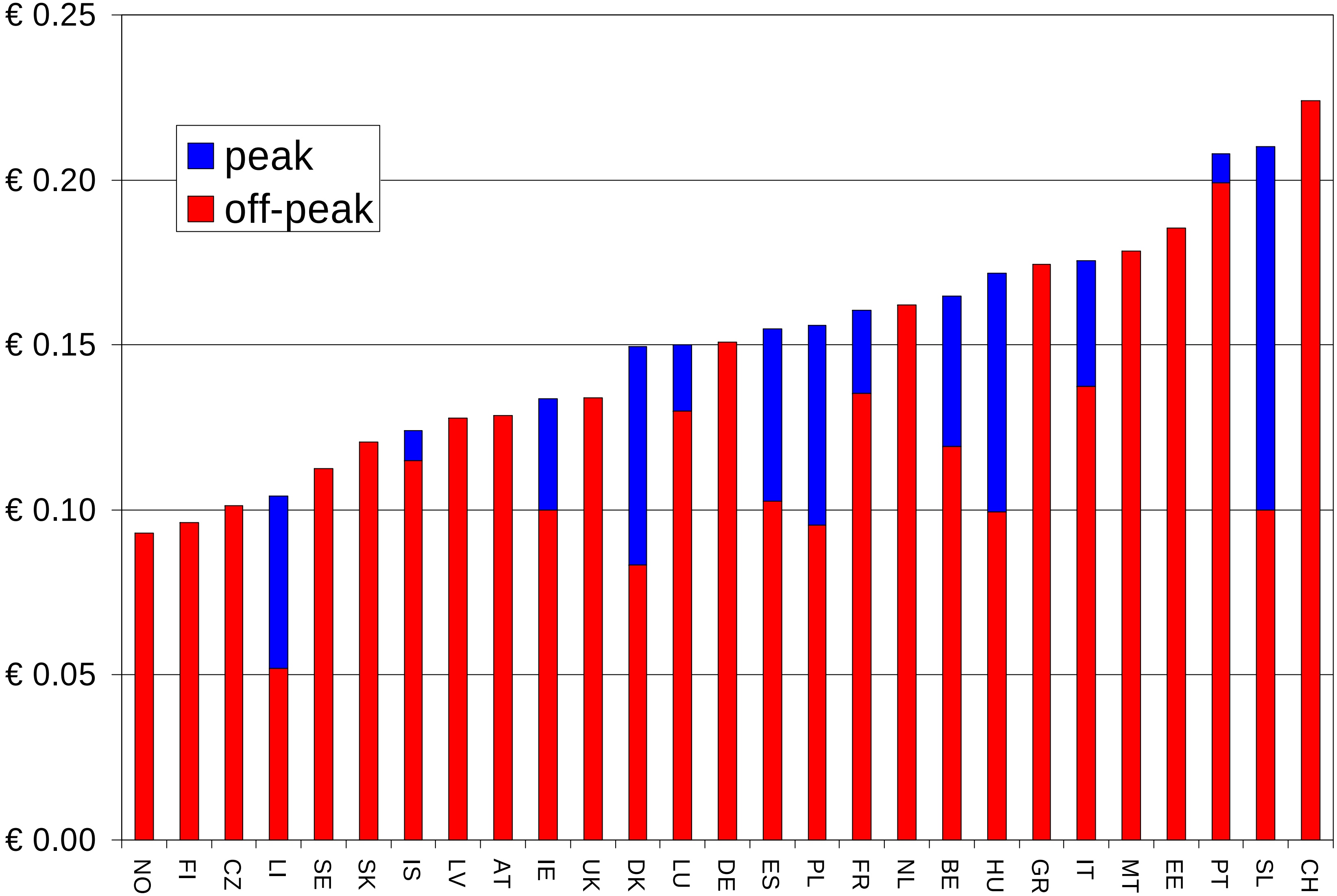
INTUG Republic of Ireland

- Orange contested the third licence, delaying market entry of Meteor by 18 months
- ComReg conducted its analysis in 2004
- call origination market:
  - 0_2 and Vodafone “jointly dominant”
  - 94 per cent of subscribers
  - 97 per cent of revenues
  - ability and incentive to coordinate their actions
- upheld by European Commission
- but will be contested in Irish High Court and European Court of Justice

INTUG mobile termination (July 2004)



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INTUG Republic of France

- political pressure concerning the prices of text messages
- 2.7 billion SMS sent in 2004 Q3
- 21.6 SMS per customer per month
- ART on 29 July 2004
  - launched an investigation into SMS prices
  - sent questionnaires to operators
- awaiting the results

INTUG **Republic of France**

- NRA analyses of the three call termination markets
- Orange, SFR and Bouygues Télécom found to have SMP and ordered to lower their wholesale tariffs:
- 16.3% by 1st January 2005
- Orange France and SFR by a further 17.3% by 1st January 2006.
- Bouygues Télécom by a further 24% by 1st January 2006.
- third and unspecified reduction required by 1st January 2007

INTUG United States of America

- United States Trade Representative
  - 1377 report (invitation to complain)
  - mobile termination rates
- Federal Communications Commission
  - Notice of Inquiry into foreign MTRs
  - comments
  - reply comments

INTUG filed comments on all of these
http://www.intug.net/submissions/

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INTUG comments to the FCC

- Telecom Italia:
  - “the mobile market in Europe is very competitive”
- Orange
  - “the Commission should ensure that reductions in overseas wholesale call termination charges are passed on to US customers”
- GSM Europe:
  - “FMTRs as a threshold matter do not harm consumer welfare”
  - “the benefits of calls to mobile subscribers may also largely offset international termination surcharges”

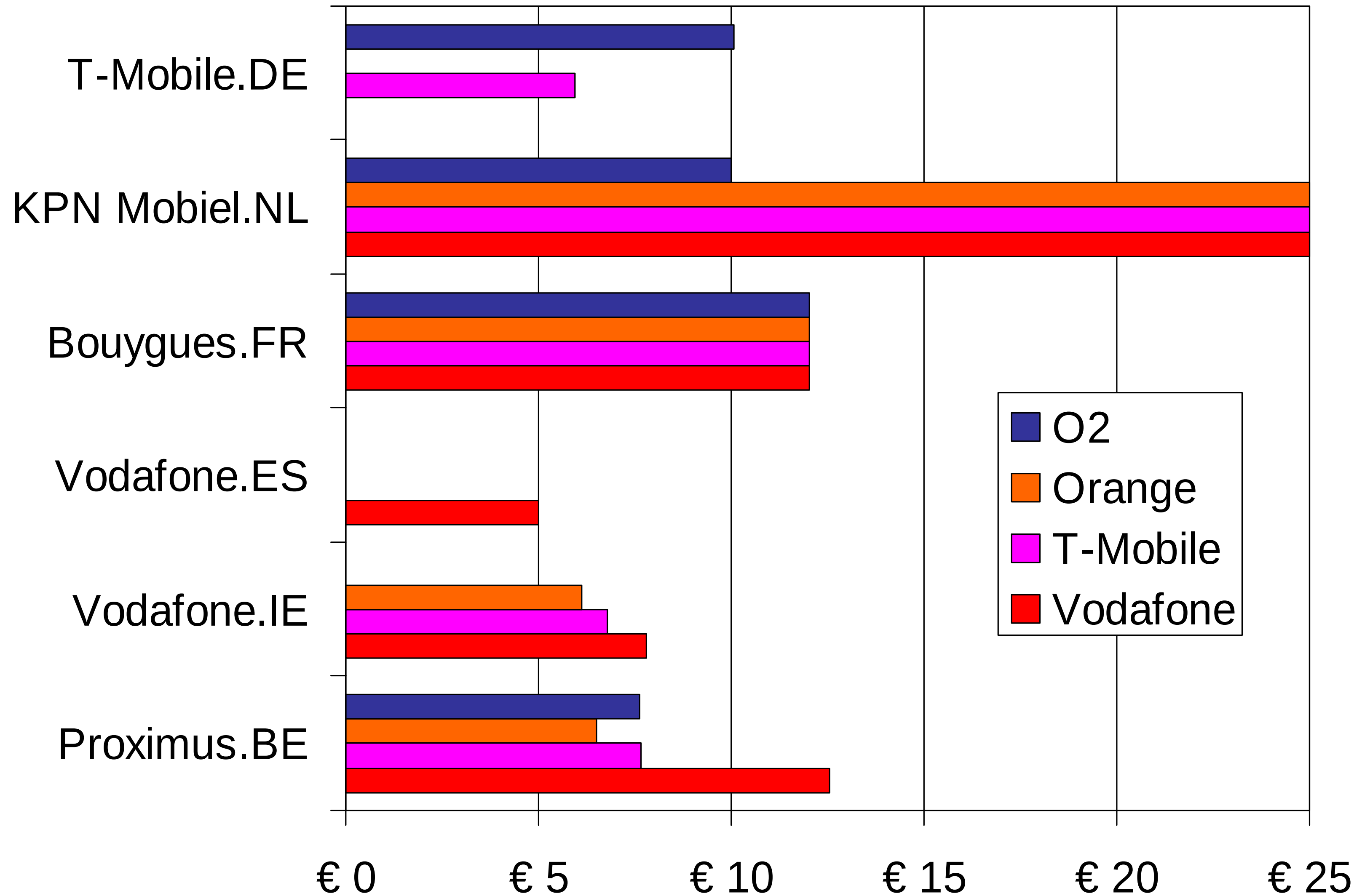
- As a threshold matter, the Commission must assess whether FMTRs pose a consumer-welfare problem at all. Anecdotal evidence suggests they do not. For instance, there is reason to believe that most U.S.-based international callers are savvy consumers who know when they are calling mobile numbers overseas and understand that such calls are generally more expensive than calls to landline telephones, In addition, calls to mobile recipients overseas offer U.S. consumers the convenience of reaching mobile subscribers past the close of the business day, since, given time differences, many international calls are placed after or before business hours. Such calls are likely to be billed at off-peak rates. Mobile calls generally connect more quickly than calls to landline numbers, meaning that calls are shorter and subject to fewer minutes of charges. Similarly, for reasons related to societal conventions and ambient noise, mobile calls are generally shorter than comparable fixed-line calls. In aggregate, these factors suggest that consumer awareness and cost savings may outweigh any perceived consumer-welfare problems associated with FMTRs.

INTUG mobile data

- global best practice is flat rate pricing
- per month, not per Megabyte
- Australia -Vodafone* AU$49.95
  - limit of 500MBytes
- Japan - KDDI † JPY 4,200
- United States of America
  - T-Mobile* US$ 29.99
  - Verizon Wireless † US$ 79.90

* GPRS † cdma2000

INTUG data prices for foreigners in UK



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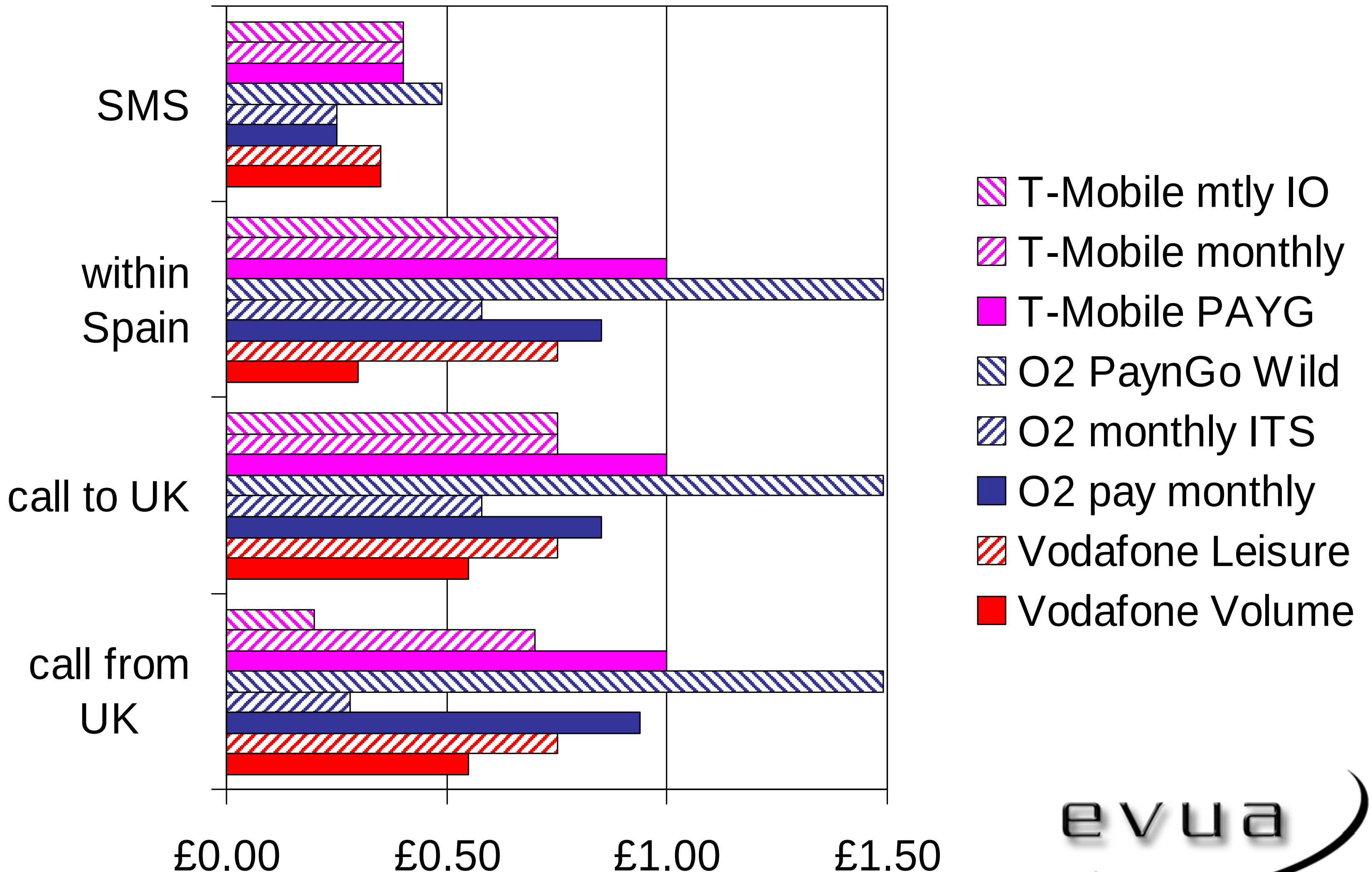
INTUG British visitors to Spain



INTUG wholesale roaming negotiations

- operators claim they can now direct traffic
  - latest generation of SIM cards
- so they can negotiate rates
- however, they may only be balancing traffic to avoid making net payments
- if they are making savings then users should insist these are passed on
- some operators are net beneficiaries:
  - flows from towards south Europe
  - reluctance of those operators to negotiate

INTUG european regulators

- European Regulators Group:
  - under political pressure to succeed
  - simultaneous questionnaires
  - press release
- European Commission:
  - support for ERG action
  - recent action on operators in Germany
    - follow-up to dawn raids of July 2001

INTUG very limited "footprints"

- Vodafone
  - *Europe* - Albania, Belgium, France, Germany, Greece, Hungary, Ireland, Italy, Malta, Netherlands, Poland, Portugal, Romania, Spain, Sweden, Switzerland and UK (**17**)
  - *RoW* - Australia, China, Egypt, Fiji, Japan, Kenya, New Zealand, South Africa and United States (**9**)
- Orange (France Telecom)
  - *Europe* - Austria, Belgium, Denmark, France, Netherlands, Portugal, Romania, Slovakia, Switzerland, United Kingdom (**10**)
  - *RoW* - Australia, Botswana, Cameroon, Dominican Republic, Egypt, India, Israel, Ivory coast, Madagascar, Reunion, Thailand (**11**)
- T-Mobile (DTAG)
  - Austria, Czech Republic, Germany, Hungary, Netherlands, Poland, Russia, United Kingdom and USA (**9**)

INTUG “alliances”

- Starmap and Freemove
  - but which one is which?
  - zero brand recognition
- remarkably little evidence of technical or economic benefits for users
  - CAMEL pre-paid roaming
  - anything else?
- a response to Vodafone?
- or treaties to reduce the likelihood of price wars breaking out?

INTUG convergence

- Oakley “shades”
  - Bluetooth
  - MP3 players
  - mobile phones
- Nintendo DS and Sony PSP
  - Wi-Fi and voice card
  - P2P communications
- Motorola
  - mobile phone with Apple iTunes
- Sony
  - Walkman with mobile phone

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INTUG VoIP

- a major set of regulatory problems
- a lot of revenue disappearing
  - so some resistance
- bundling:
  - broadband, voice and television
  - conceals the per minute rates
- a new incentive to originate calls on the fixed network

INTUG mobile meltdown scenario

- gradual decline of voice revenues:
  - competition on outbound calls
  - regulation of in-bound and roaming
- failure of location based services
- loss of entertainment revenues to traditional providers using DxB
- loss of youth market to other services
- failure to generate VANS revenues
- analysts advise to sell

INTUG challenges

- getting mobile services aligned with strategy
- getting flat-rate data prices with an SLA
- achieving ubiquitous connectivity
- reconciling the different approaches in Europe, Asia and the USA
- getting operators to accept the end of per minute voice revenues
- getting policy makers to create a competitive single market in Europe

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INTUG thank you

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