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Mobile plays its hand in EU members' broadband-for-all schemes

The rising prevalence of mobile in EU member states' discussions and plans for providing ubiquitous broadband reflects the rapid development of mobile broadband in the last couple of years.

In one of the most significant recent events, Ireland's government awarded a contract to mobile operator 3 for its project to roll out broadband to 100% of the country's population by September 2010. 3 was selected ahead of fixed-line incumbent Eircom in the final round of the tender process. Fixed-line operator BT had been involved at an earlier stage, as had a consortium comprised of IFA and Motorola.

The National Broadband Scheme, announced at end-January, will supply broadband to the remaining 10% of Ireland's population and 33% of its land surface not currently covered. This equates to coverage of approximately 223,000 buildings, with half the rollout slated for completion by year-end.

3's success in gaining the NBS contract, awarded in December, shows how mobile has gained acceptance as a method for delivering broadband and how it can serve to boost coverage in rural areas. And governments in some other member states have discussed the role that mobile can play in their own plans to provide universal broadband.

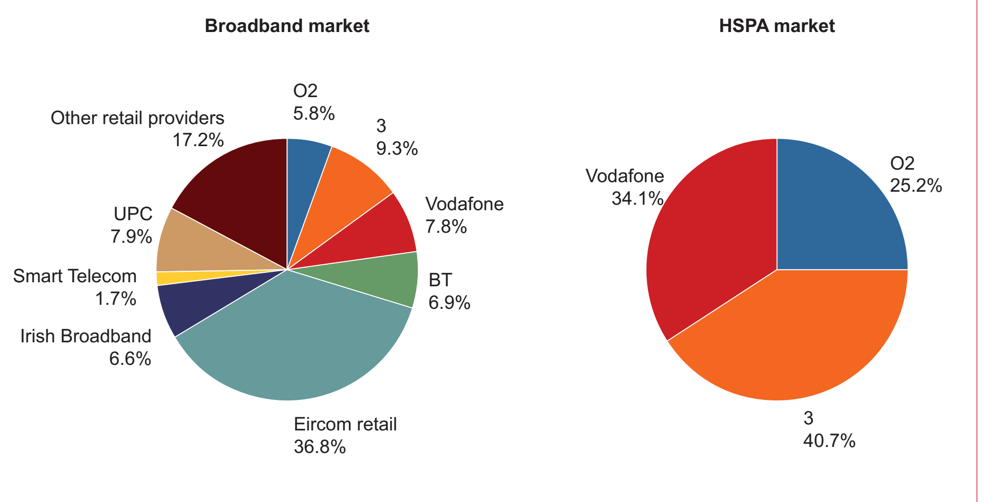
In 3 Ireland's case, however, some observers question whether rural areas will really be better off under the NBS initiative, saying that services will be slow and expensive. 3 is initially providing minimum download and upload speeds of 1.2Mbps and 200Kbps for €19.99 (US$25.75) a month, including a 15GB data allowance.

Nevertheless, the operator says it will continually upgrade its speeds, providing a minimum download speed of 2.3Mbps and maximum of 10.4Mbps by October 2012. 3 says the average speed by then will be more like 3.4Mbps. The operator will roll out I-HSPA technology and plans to start deploying LTE in 2011.

In the meantime, a spokeswoman for 3 Ireland says that 1.2Mbps is enough to fulfil the needs of most customers at initial launch, pointing out that the majority of users want to use services such as e-mail, YouTube and online shopping, play games, run their businesses and browse the web. "All of this can be done on speeds of 1Mbps, hence the minimum requirements as set out by the government," she says.

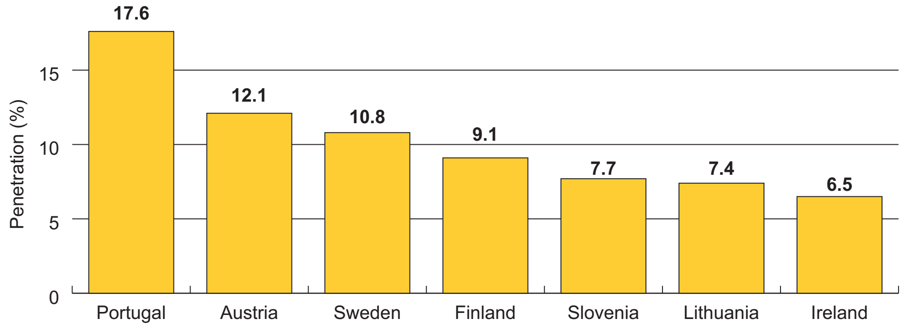
The operator will, meanwhile, provide satellite services, with a minimum download speed of 1Mbps, in a limited number of cases where it proves difficult to reach a location using stan-

Fig. 1: Ireland, broadband and HSPA market share by operator, 3Q08



Source: Informa Telecoms & Media

Fig. 2: HSPA penetration of population in selected EU countries, 3Q08



Source: Informa Telecoms & Media

dard infrastructure.

A total of €223 million is being invested in Ireland's NBS, with the government contributing €79.8 million through its own and EU co-funding. 3 concedes that it is providing a large amount of funding for the project, but the operator believes the revenue from an increase in customers will offset overall investment.

The operator also contends that the NBS will cement its position in the country's broadband market, where it currently lies second to Eircom with 125,000 subscribers. It additionally had a 41% share of the HSPA market at end-3Q08 (see fig. 1), while more than a third of its customers are mobile broadband subscribers.

Uptake of HSPA has accelerated rapidly across Europe in the past two years, and it has achieved penetration of more than 10% of the population in some of the region's markets (see fig. 2). The technology is now being viewed as a viable alternative to fixed broadband in rural areas and in less developed markets in Eastern Europe.

Other member states' plans

Other EU member states recognize mobile's potential to provide broadband coverage to outlying areas. Many countries have more or less achieved 100% coverage in urban areas but are still far short of this figure in rural regions (see fig. 3).

On Feb. 18, Germany's Federal Ministry of Economics and Technology is due to adopt a strategy for providing broadband to 100% of households by end-2010, with a minimum downstream speed of 1Mbps. The release of spectrum for mobile broadband is one of the four key thrusts of the plan.

By end-2009, the German government plans to make spectrum released by the digital switchover in the 790-862MHz band available for wireless broadband. "This will greatly simplify the provision of broadband, especially to rural areas," says a ministry spokeswoman.

In Finland, the government issued a resolution at the end of last year to make broadband available by end-2010 to all the country's permanent residences and business offices. In line with the move, it plans to designate a telecoms operator that would be subject to a universal service obligation in each area of the country by end-2009.

In the plan announced in September, the Ministry of Transport and Communications said that achieving the country's goal will require a fixed or wireless connection with an average downstream speed of at least 1Mbps.

Under the principle of neutrality, the designated operator in each region will be able to choose the technology it wants to use. "It is likely that universal service obligation will at least partially be fulfilled using mobile technology," says Petri Makkonen, head of the universal service unit at Finnish regulator Ficora. "This is currently the case at least in some areas in northern Finland."

Makkonen says, however, that it is not possible to estimate what the proportion of mobile to fixed deployments will be in the future.

The Finnish government is also reviewing telecoms licenses and proposed that a broadband obligation be added to the UMTS license of leading operator TeliaSonera from January 2010, applicable if the company cannot provide services with other technologies in certain

Fig. 3: EU, broadband coverage of population, Dec-07

Country	Urban (%)	Suburban (%)	Rural (%)	Total (%)
Austria	100	99	81	92
Belgium	100	100	100	100
Bulgaria	n/a	n/a	0	n/a
Cyprus	100	40	0	80
Czech Republic	98	85	75	85
Denmark	100	100	100	100
Estonia	90	0	73	85
Finland	99	98	91	96
France	99	99	97	99
Germany	99	95	88	96
Greece	100	85	50	86
Hungary	98	94	80	91
Iceland*	100	0	79	92
Ireland	100	99	73	89
Italy	100	91	82	94
Latvia	98	80	65	87
Lithuania	99	97	68	88
Luxembourg	100	100	100	100
Malta	99	n/a	n/a	99
Netherlands	99	99	99	99
Norway*	98	96	94	96
Poland	86	45	43	64
Portugal	99	96	86	95
Romania	n/a	n/a	0	n/a
Slovakia	94	84	39	74
Slovenia	99	95	86	92
Spain	93	90	88	91
Sweden	99	99	90	98
UK	100	100	96	100
EU total**	**98**	**92**	**80**	**93**

*Not EU members, but included for sake of comparison. **Excludes Bulgaria and Romania, where most data is unavailable

Sources: European Commission, Idate

areas.

TeliaSonera already announced plans last year to switch from fixed to wireless broadband in some sparsely populated areas, using the 450MHz network of wireless-broadband provider Digita. The ministry says that one condition for a fixed operator to migrate to mobile is that it guarantee sufficient indoor coverage.

However, the ministry says that in the medium term, “wireless broadband alone will not suffice to meet the demand for more and better connections.” The government is aiming to enable speeds of 100Mbps for all by 2015 and says it could take years before these rates are available via wireless technologies outside urban areas.

“It is obvious that wireless connections cannot even in future guarantee connection rates in non-built-up areas equal to those available in built-up areas,” said the ministry.

Meanwhile, Sweden’s government said last year that all of the country’s population should be able to use wireless broadband in their homes and workplaces at fixed locations by 2013. “Wireless broadband has a significant role to play in situations where economic conditions will not for the foreseeable future allow wireline access,” it said.

In its Digital Britain report unveiled at the end of January, the UK government said it would “develop plans for a digital Universal Service Commitment to be effective by 2012, delivered by a mixture of fixed and mobile, wired and wireless means."

The government is inviting further comments on costs and benefits of connectivity at different speeds before setting out plans for the level of service it believes should be universal. The government plans to issue a final report in the summer.

In the UK, a universal service obligation has traditionally been imposed on incumbent BT for the provision of voice and basic data services, but the government is considering whether this commitment could be shared more widely in future for broadband.

EU debate

At EU level as well, there is a discussion about whether to include broadband in universal service obligations. Last September, the Commission issued a communication to open a European debate on the future of universal services in 2009.

There are hurdles to overcome, however. The Commission is considering whether the growing popularity of mobile telecoms services means that the current universal-service obligation, limited to access at a fixed location, is becoming less relevant.

In addition, the growing popularity of broadband suggests that the service might well follow the same track as mobile in becoming near-universal through market forces in the medium term. In the Netherlands, for example, high broadband penetration means the government does not currently consider further measures necessary.

Some observers have suggested that countries with lower levels of infrastructure development will suffer under a broadband obligation, and it is questionable how much return operators can make from rolling out to small numbers of subscribers in rural areas. Further, it will be some time before there is a resolution on the matter at EU level, by which time many countries may already be approaching universal coverage.

Meanwhile, at end-January the European Commission earmarked €1 billion for investment in rural broadband projects in the EU. Brussels expects to approve all member states' programs that it decides to fund by end-2009.

Martin Selmayr, a spokesman for the Commission's Information Society and Media directorate, says it is too early to say who will be involved in the funded projects, but that all broadband infrastructures that can achieve the goal of 100% coverage will be considered.

He says the principle of technology neutrality means that "mobile, or any other technology, may be part of a mix of technological solutions for the provision of broadband in rural areas."

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Analysis ■

Lycamobile on course to beat subscription target in UK debut year

"Ethnic" MVNO Lycamobile is well on course to exceed its target of a million subscriptions within a year of its UK launch last September, according to the company.

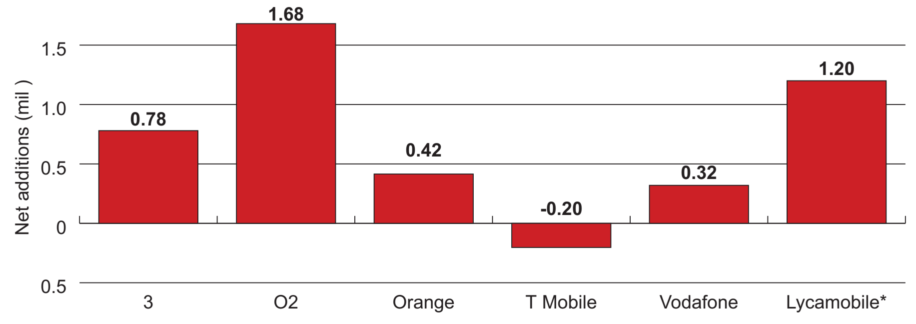
Lycamobile offers a prepaid SIM-card service that targets ethnic communities via cheap international calls, an MVNO model that is gaining traction across Europe. The privately owned company is present in six other markets in the region, having initially launched in the Netherlands in 2006.

In the UK, the MVNO runs on the network of Orange and provides international calls from £0.04 (US$0.06) a minute. Milind Kangle, CEO of Lycamobile, says it is already a "foregone conclusion" that the company will surpass its first-year customer target in the UK and could have as many as 1.2 million subscriptions by September.

To put this in perspective, the number would be larger than the net additions gained by each of the country's five mobile operators bar O2 in the year to end-3Q08 (see fig. 1). It would also equate to 40% of net additions over that period, according to Informa Telecoms & Media data.

In addition, the figure is more than a quarter the number of subscriptions gained by

Fig. 1: UK, mobile operator net additions in year to end-3Q08



*Predicted subs after first year
Source: Informa Telecoms & Media

leading UK MVNO Virgin Mobile since its launch more than nine years ago.

Kangle expects Lycamobile to soon become the UK's largest ethnic MVNO player by overtaking rival Lebara Mobile, which launched in the country almost a year earlier. Toward the end of 2008, Lebara Mobile announced that it had gained 600,000 customers, a figure that Lycamobile expects to pass in the next month or two, although it does not give its current number.

Throughout Europe, Lycamobile has amassed almost 3 million subscriptions, more than double the number it announced six months ago. Kangle says the figure means the company is by far Europe's leader in the prepaid mobile market for international calls, and it is aiming to lead on a global level as well.

Lycamobile is in a strong position to achieve its target of 7 million global customers by 2011, particularly as it plans to launch in an additional three European markets this quarter, followed by a further four or five global markets by year-end (see fig. 2). The company is later looking to move into Central and Eastern Europe.

Kangle would not give Lycamobile's ARPU figure, but says it is almost 50% higher than the global prepaid average.

Fig. 2: Lycamobile's European and global launch strategy, Feb-09

Already launched	Launches planned in 1Q09	Other launches planned in 2009
Belgium	Austria	France
Denmark	Italy	Germany
Netherlands	Spain	Canada
Norway	–	US
Sweden	–	–
Switzerland	–	–
UK	–	–

Source: Lycamobile

Competitive positioning

In the UK, Lycamobile is offering a rate of £0.04 a minute to landlines in a large number of European countries, as well as to destinations including Australia, Brazil, Canada, the US and Thailand. For Canada and the US, the same price is available for calls to mobile phones. And in India, for example, mobile and landline rates cost £0.07 and £0.05 a minute, respectively. International SMS messages are priced at £0.10 (see fig. 3).

"Our strategy is to match the cheapest price in the marketplace for international calls," says Kangle.

Kangle says that 80% of calls using the company's service are to international destinations. The company is currently offering domestic rates of £0.08 a minute to landlines and £0.10 to other mobiles. There is also a promotion of free per-minute calls and SMS messages between Lycamobile subscribers, although there is a charge for connecting calls.

Fig. 3: Lycamobile UK's selected international tariffs, Feb-09

Country	Mobile call price (£)	Landline call price (£)
Argentina	0.07	0.04
Bangladesh	0.07	0.05
Canada	0.04	0.04
Chile	0.13	0.05
Colombia	0.10	0.05
Czech Republic	0.14	0.04
Denmark	0.15	0.04
France	0.15	0.04
India	0.07	0.05
Japan	0.10	0.05
Pakistan	0.09	0.09
Poland	0.09	0.04
Puerto Rico	0.07	0.07
Sri Lanka	0.08	0.08
Thailand	0.06	0.04
US	0.04	0.04

Note: All prices are per minute. £1=US$1.43

Source: Lycamobile

Lycamobile believes it has a competitive edge over its rivals partly because of its position as the mobile arm of Lycatel, a company that is already well established in the international prepaid-calling-card-market. This gives Lycatel a ready base for cross-selling its mobile service to, as well as a broad distribution network.

"We are synonymous with the international calling market," says Kangle, adding that Lycamobile's rivals have not previously had calling-card businesses. Globally, Lycatel has more than 9 million customers in 17 countries, and its mobile expansion strategy is based on launching in those countries where it already has a presence.

Kangle says that some 25% of all outgoing calls from the UK are carried by Lycatel products. He also says, for example, that the company carries almost 60% of calls to India and a third to Ghana and generates more than 1.6 billion minutes of global voice calls each month.

Lycamobile's prepaid SIM cards and top-ups are available in close to 120,000 UK outlets and can also be purchased online. The company sells its SIM cards mainly through smaller retail outlets, including convenience stores and news stands, where Kangle says it is easier to target ethnic communities.

He says that 60-70% of top-up sales are subsequently via larger mainstream stores. Lycamobile top-ups are available through retailers including Sainsbury's, Morrisons, Phones 4U and Londis, and Kangle says the company is constantly approached by potential new sales channels.

Marketing push

The MVNO has carried out substantial marketing activity in the UK, having spent almost half the £10 million it allocated for this purpose at launch. The company has advertised its products through multiple channels, including billboards, bus stops and the London subway system, as well as via the ethnic press and TV channels. It has also placed its branding on a large number of stores.

Lycamobile has additionally launched numerous promotions to stimulate uptake. For instance, last October it ran an offer during the Hindu festival Diwali, which provided calls from £0.03 a minute to Indian and Sri Lankan landlines. The company also recently introduced a promotion for Chinese New Year, offering calls to landlines and mobiles in countries including China, Indonesia, Malaysia and Singapore for as little as £0.02 a minute.

Kangle says that Lycamobile's existing back-end infrastructure enables it to rapidly change its tariffs and launch promotions, with a staff of almost 120 people handling in-house technical platforms in the UK and India. He says the company can introduce new prices almost immediately, compared with about a week for operators.

Lycamobile's back-end capabilities and relationships with partners also enable it to terminate calls at attractive rates, says Kangle.

Kangle does not comment on the terms of Lycamobile's relationship with Orange, but the company has used measures to ensure that it secures high-quality MVNO deals across its footprint. Lycamobile's strategy has been to consider entering a market only when at least two operators are willing to pitch to it and to also seek full MVNO models for maximum flexibility.

Meanwhile, Lycatel sees opportunities to cross-sell other products to mobile customers. For example, the company also has a service called Lycafly, which enables customers to book flights, hotels and holidays, and is running a small introductory initiative to offer subscribers deals to travel back to their country of origin.

Kangle also says that Lycamobile will introduce content such as ring tones and wallpapers in a number of markets at the start of the next quarter.

He says, however, that the operator's main current focus is on achieving critical mass and contends there will be room for just one large player in the ethnic-MVNO market in the long run. Kangle adds that he believes Lycamobile is in a good position to emerge largely unscathed from the economic crisis, partly because of the attractiveness of its products in the current climate.

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Analysis

Serbian m-payment service slow to meet uptake targets

Europe's first multioperator mobile payment service based on Visa credit-card accounts has attracted only about 180,000 users after 15 months of operation. The initiative was launched in Serbia in November 2007 and although uptake is now equivalent to almost 10% of the country's approximately 2 million Visa credit-card holders, the companies' original target was to have reached this figure by mid-2008.

The service is offered nationwide in Serbia by all three of the country's mobile operators in partnership with 11 banks and is managed by payments processor First Data. Its wide scope makes it accessible to a greater proportion of the population than initiatives in other countries that are run by a single operator and bank. But its scope also appears to have slowed its development, which has largely relied on the banks' promotional efforts.

The service was originally set up by mobile payment company Upaid, but management was transferred to First Data in November. It continues to use Upaid's software platform, however.

The main reason Upaid withdrew from the project was that it lacked a local presence in Serbia and had been running the program from the UK.

Since taking over, First Data says its presence in the local market has helped it to better manage relationships with the banks and operators; it has also developed plans to extend the program to users of MasterCard credit cards and new applications.

Although Upaid said at launch that it intended to incorporate payment for services such as movie tickets and utility bills within approximately a year, the program remains limited to prepaid-account top-ups, which the user initiates by sending an SMS to a predefined number.

Upaid's plan was to extend the program only after 20-30% of Serbia's Visa card holders had signed up, as this would give it the necessary scale to make the cost of establishing and managing such services viable.

The service currently remains limited to users of Visa cards, which reportedly account for some 70-75% of the credit-card market in Serbia. In April or May, the program will be launched commercially for MasterCard users. At the same time new Java-based services will be launched, which will initially be available only to these new MasterCard users but later extended to the wider Visa-card user base.

Banks to spur uptake

The speed at which new users sign up to the m-payment program in Serbia this year will depend largely on how heavily the banks promote it. This is because users sign up by registering through their own bank.

According to Zoran Tesic, First Data's head of business development in southeastern Europe, only one or two of the 11 participating banks were actively promoting the initiative in 2008. He expects uptake to accelerate in 2009 as First Data works with the banks to further promote the service.

Other mobile payment services, such as parking-fee payment via SMS, are already widely available in Serbia but are paid for out of a user's mobile phone account, rather than against a credit-card account. They have not therefore required the strong commitment from the banks that the Visa payment initiative requires.

The m-payment service has initially been targeted at prepaid mobile phone users, and of the 180,000 who have signed up, Tesic estimates that approximately 20,000 use it each month. He estimates that these users carry out about 50,000 monthly transactions between them, a figure that is gradually rising. Prepaid users in Serbia make four or five top-ups a month on average, according to an estimate by Upaid. This figure suggests, however, that those who are using the Visa credit-card-payment system also continue to complement it with other prepaid top-up mechanisms.

Tesic says approximately 60% of transactions are carried out by customers of the country's leading mobile operator, Telekom Srbija. This is not surprising given that the system is an extension of a service launched in 2006 by Telekom Srbija and Visa International, which had already attracted about 100,000 users by the time the national mobile payment initiative was launched by the country's three mobile operators in November 2007.

Other CEE markets find alternatives

Despite originally claiming that the service launch in Serbia could act as a blueprint for the introduction of similar multioperator m-payment programs elsewhere in Central and Eastern Europe, Upaid subsequently turned its attention to the Brazilian market. To date it has not established any other m-payment platforms in Central and Eastern Europe.

Individual operators in the region are already offering or trialing their own m-payment systems, although only a few offer payment via credit card. Mobitel Slovenia is one of the most advanced and has been offering credit-card payments since 2005. The operator provides a wide array of other m-payment services under the Moneta m-payment brand.

In October, a multioperator m-payment program was launched in Hungary by two of the country's mobile operators, Pannon and T-Mobile, in conjunction with the bank FHB and m-commerce-technology company MPP Global Solutions. Subscribers pay via mobile phone directly from their FHB bank account, rather than against a credit card.

More recently, in December Polish operator Polkomtel launched a service with bank Citi Handlowy and m-commerce-technology company mPay, selling tickets via mobile phone for the Warsaw public-transportation network. Citi Handlowy claimed that this made it the first bank in Poland to let customers use their mobile phone to pay for a service directly from their bank account. At the time of writing, Polkomtel had not released uptake figures for the service.

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Mobilkom makes transition from SMS- to NFC-based m-commerce technology

Austrian cellco Mobilkom offers a wide array of m-commerce services and is regarded as one of the most advanced players in the sector. The operator's payment system enables subscribers to use their mobile phones to buy lottery, movie, concert and public-transportation tickets and goods from shops and vending machines.

Steadily farming the ecosystem

Mobilkom introduced its first m-commerce service for transportation ticketing, OBB Mobile Ticket, in 1999. The service - which the company says was the world's first m-commerce application - enabled customers to buy train tickets by SMS.

Mobilkom's mobile commerce strategy developed in 2001-2003, when it acquired both Austrian m-payment firm PayBox and a banking license.

The banking license enabled Mobilkom to ensure that its transactions had the same security as those completed using traditional banks - one of the main hurdles for m-commerce - and it subsequently launched the A1 Bank service.

Since acquiring PayBox, Mobilkom has worked to make m-commerce services available to all subscribers in the country by making PayBox interoperable with all operators' platforms.

In 2005 it sold 16.6% of its stake in PayBox to competitor and No. 3 Austrian player One, and in August it announced an agreement in which T-Mobile will use the PayBox platform for mobile payments. As a result, the three largest mobile operators in the country, which collectively hold 95% of the country's subs, all use the platform.

According to Mobilkom, PayBox - which can be used at more than 5,000 places - has about 4 million users and is set to become the second-largest means of cashless payment in Austria, after the Maestro ATM card. More than 300,000 subscribers use the service to pay via direct debit, and more than 2 million use it to pay via their phone bill. The number of PayBox transactions exceeded 1 million a month in 2007 (see fig.).

Mobilkom Austria, m-commerce figures, 2007
More than 1 million transactions a month
More than 2,600 vending machines equipped with m-payment modules
Nearly 30% of parking fees in Vienna are SMS-based
More than 100,000 mobile transporation tickets sold in 2007
Source: Mobilkom

Benefits for merchants and customers

Aside from the interoperability Mobilkom has achieved by forming partnerships with competing operators, the key to its success in m-commerce is its ability to provide an alternative to traditional payment systems.

The most widely used m-commerce services are transportation- and parking-voucher services. Mobilkom's m-parking service, which enables customers to pay parking fees using their mobile phones, has become popular among subscribers. In the city of Vienna, for instance, 30% of all parking vouchers sold are paid for by mobile phone.

The parking-voucher service combines all the factors of a successful m-commerce service: It uses SMS, a technology that is robust and widely understood by the end user; it is always available, compared with the traditional parking vouchers sold only in selected shops during opening hours; it does not require the user to register; and it charges the toll to the customer's phone bill in a separate section of the invoice.

It also offers a tangible benefit to the local government, which receives the payment. The city says it has saved millions of euros by not having to install parking meters and says it hopes that as many as half of the city's drivers will use the service within five years.

Another benefit of mobile payment services is that they can offer features not available with traditional payment methods. For instance, the parking-payment service sends a reminder to the customer when the permit is about to expire, enabling the user to extend its validity by replying with a text message.

NFC development

The SMS-based offerings in Mobilkom's m-commerce service are by far the most developed. But the operator's ambition is to use near-field-communication (NFC) technology to make the service easier to use and to add features to the offerings already deployed.

Its aim is to simplify the service by requiring users only to wave their devices near an NFC reader rather than send an SMS.

The first NFC-based m-commerce services Mobilkom is offering are in transportation and ticketing, sectors in which it has gained experience through its SMS-based offerings. Mobilkom's main partners for NFC-based m-commerce are national railway company OBB, Vienna transportation authority Wiener Linien and leading vending-machine company Selecta.

In January, it started piloting a ticketing service with OBB, in which the ticket is both bought and validated using NFC-enabled devices.

Instead of sending a validation via SMS, passengers validate their tickets by touching their NFC-enabled handset to one held by the conductor.

Mobilkom introduced NFC-enabled phones in September 2007, when it launched the Nokia 6131, and the operator says it sold more than 20,000 NFC phones in the subsequent eight months. As of June, about a third of Mobilkom subscribers with NFC-enabled handsets were using the services.

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Analysis ■

EU developments in 4Q08 pave way for license amendments and new tenders

A number of developments at EU level in 4Q08 are set to lead to the amendment of GSM license terms and to new spectrum tenders. The moves will pave the way for the rollout of next-generation mobile broadband technologies over the next few years.

First, in November the European Commission proposed an amendment to the GSM Directive, which since 1987 has reserved the 900MHz spectrum band exclusively for the use of GSM technology. The Commission hopes the proposal will be adopted by the European Parliament and the Council before the summer. The move would facilitate the use of UMTS and other advanced technologies in the 900MHz band.

The Commission had originally tried to repeal the GSM Directive by end-2007 or early 2008, but the attempt was blocked by the European Parliament. The new proposal would amend the Directive, keeping it in place but opening up use of the 900MHz frequencies.

Second, the Commission required EU member states to designate and set aside spectrum for 2.6GHz tenders by December 2008, including freeing up the band if used for other applications. Member states were due to comment on their compliance with the requirement last month, followed by a Commission assessment on whether they had fulfilled their commitments.

Third, member states have been allocating spectrum freed up by the digital switchover. In 4Q08, the French government allocated 72MHz of so-called digital-dividend spectrum to mobile broadband. And UK regulator Ofcom described the release of the spectrum as a "key strategic priority" in its draft annual plan for 2009-10, published at the end of last year.

The latter developments will facilitate new license tenders, and authorities in many European countries have outlined plans to issue 2.6GHz spectrum in 2009.

New license developments

There were few major license awards in Western Europe in 4Q08. However, Austria's regulator announced that it had awarded some 900MHz frequencies, and authorities in Belgium, France and Portugal all made moves toward tenders.

In Austria, the regulator allocated spectrum to established operator Orange. Orange gained 2x0.8MHz in the 914-915MHz and 959-960MHz bands for €501,500 (US$644,350) after making the highest bid in the auction. The operator gained the frequencies, which are valid until December 2017, ahead of T-Mobile and Barablu Mobile Austria.

Toward the end of last year, the government of Belgium confirmed that it would put the country's fourth UMTS license up for sale in mid-2009, having failed to sell it in 2001. Regulator BIPT launched a public consultation in January on the use of all frequency bands for telecoms services, which will be followed by a procedure to issue the 3G license.

Vincent Van Quickenborne, Belgium's minister for enterprise and simplification, stated in an interview in the local press that €40 million would be the minimum guide price for the new UMTS license. Van Quickenborne has publicly stated that he intends to create a more competitive telecoms sector.

In Portugal, the award process continued for a national mobile license in the 450-470MHz band, after opening in 2Q08. Interested companies were due to submit bids by Oct. 3 and were rumored to include AR Telecom, Cabovisao, Oni, CTT and Zon Multimedia.

But ultimately the only bidder was Rede Nacional de Telecomunicacoes, and Portuguese regulator Anacom approved the award of frequencies to the company in January. RNT is backed 85% by UK-based Telephony Holding and 15% by Portuguese CDMA operator Radiomovel. The company plans to invest €40 million in the new venture and launch services later this year.

In France, meanwhile, long-running deliberations over the tender process for the country's fourth 3G license came closer to resolution. Just before the start of 4Q08, regulator ARCEP announced that it would call for candidates for the remaining spectrum in the 2.1GHz frequency band once the government had defined financial terms.

And in early 2009, ARCEP opened an application procedure, offering three lots of 5MHz and reserving one for a new entrant. The goal is to assign frequencies by year-end.

DVB-H doubts

Western Europe's other major license development in 4Q08 has contributed to doubts that mobile TV technology DVB-H will make a commercial breakthrough this year.

During the quarter, Mobile 3.0, the company awarded Germany's license to roll out DVB-H, had to hand the license back after failing to secure contracts for programs and network infrastructure, as well as distribution agreements with mobile operators.

Since November, German media regulators have been seeking a new operator to run the country's DVB-H network. Responses from the industry have so far been muted, however, and regulators have said they may not put the license up for tender again unless they found sufficient enthusiasm for the technology.

These developments have been compounded more recently by rising doubts in France about the viability of commercial DVB-H launches this year, following disagreements between broadcasters and mobile operators about how the country's planned network would be funded.

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Western Europe, mobile ARPU by operator, 3Q08

Country	Operator	Blended ARPU, 3Q07 (€)	Blended ARPU, 2Q08 (€)	Blended ARPU, 3Q08 (€)	Quarterly change, 3Q08 (%)	Annual change, 3Q08 (%)	Prepaid ARPU, 3Q08 (€)	Postpaid ARPU, 3Q08 (€)
Austria	3	45.33	38.25	37.00*	-3.3	-18.4	n/a	n/a
	Mobilkom	31.40	28.10	27.80	-1.1	-11.5	8.20	37.00
	Orange	32.00	31.00	31.00*	0.0	-3.1	n/a	n/a
	T-Mobile	29.00	26.00	26.00	0.0	-10.3	8.00	34.00
Belgium	Base	18.00	18.00	16.00	-11.1	-11.1	9.00	51.00
	Belgacom Mobile	40.00	32.60	31.00	-4.9	-22.5	13.90	46.80
	Mobistar	35.58	33.13	32.83	-0.9	-7.7	n/a	n/a
Cyprus	Areeba	27.35	28.50	31.15	9.3	13.9	n/a	n/a
Denmark	3**	46.98	43.71	40.90	-6.4	-12.9	n/a	n/a
	Sonofon	30.09	28.80	27.74	-3.7	-7.8	15.92	35.00*
	TDC Mobil	25.79	22.00	19.91	-9.5	-22.8	n/a	n/a
	Telia	33.14	35.54	35.79	0.7	8.0	11.53	43.30
Finland	DNA	27.70	25.30	24.10	-4.7	-13.0	n/a	n/a
	Elisa	29.90	26.80	26.40	-1.5	-11.7	n/a	n/a
	TeliaSonera	30.00	27.00	24.00	-11.1	-20.0	6.00	26.00
France	Bouygues Telecom	43.42	41.25	42.10	2.1	-3.0	n/a	n/a
	Orange	33.17	33.17	33.25	0.2	0.2	13.67	43.33
	SFR	36.92	36.17	35.92	-0.7	-2.7	15.17	46.33
Germany	E-Plus	18.00	16.00	16.00	0.0	-11.1	6.00	30.00
	O2	20.80	17.60	17.30	-1.7	-16.8	6.00	28.90
	T-Mobile	18.00	16.00	16.00	0.0	-11.1	4.00	31.00
	Vodafone	19.50	17.00	16.80	-1.2	-13.8	4.60	32.40
Greece	Cosmote	29.30	24.30	24.60	1.2	-16.0	n/a	52.00*
	Q-Telecom	9.20*	n/a	n/a	n/a	n/a	n/a	n/a
	Wind Hellas†	23.10	19.90	20.50	3.0	-11.3	8.60	53.30
	Vodafone	26.20	22.00	22.70	3.2	-13.4	8.60	52.90
Ireland	3**	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Meteor Comms	41.50	40.77	39.05	-4.2	-5.9	n/a	n/a
	O2	47.00	43.20	43.70	1.2	-7.0	27.70	72.20
	Vodafone	45.10	41.70	42.50	1.9	-5.8	25.20	83.20
Italy	3	29.30	27.30	26.00*	-4.8	-11.3	14.90*	50.00*
	Telecom Italia	21.30	20.10	20.50	2.0	-3.8	n/a	n/a
	Vodafone	22.70	21.30	21.70	1.9	-4.4	17.40	56.50
	Wind	19.50	19.00	18.70	-1.6	-4.1	n/a	n/a
Luxembourg	VOXmobile	35.90	28.20*	32.24	14.3	-10.2	n/a	n/a
Malta	Vodafone	36.16	28.40	30.20	6.3	-16.5	27.20	74.40
Netherlands	KPN Mobile	25.00	24.00	24.00	0.0	-4.0	n/a	n/a
	Orange††	20.17	n/a	n/a	n/a	n/a	n/a	n/a
	T-Mobile	35.00	26.00	24.00	-7.7	-31.4	7.00	50.00
	Vodafone	38.80	36.90	35.60	-3.5	-8.2	9.30	55.10
Norway	NetCom	46.76	43.07	40.53	-5.9	-13.3	13.87	50.66
	Telenor Mobil	42.59	40.94	38.84	-5.1	-8.8	13.63	48.49

Western Europe, mobile ARPU by operator, 3Q08 (cont.)

Country	Operator	Blended ARPU, 3Q07 (€)	Blended ARPU, 2Q08 (€)	Blended ARPU, 3Q08 (€)	Quarterly change, 3Q08 (%)	Annual change, 3Q08 (%)	Prepaid ARPU, 3Q08 (€)	Postpaid ARPU, 3Q08 (€)
Portugal	Optimus	19.20	16.80	17.40	3.6	-9.4	n/a	n/a
	TMN	20.60	18.60	18.50	-0.5	-10.2	n/a	n/a
	Vodafone	23.70	21.40	21.60	0.9	-8.9	13.20	51.40
Spain	Orange	25.42	24.92	24.75	-0.7	-2.6	n/a	n/a
	Telefonica Moviles	33.10	30.80	30.90	0.3	-6.6	15.40	40.60
	Vodafone	36.50	32.60	33.30	2.1	-8.8	14.60	45.90
	Yoigo	30.27	25.04	26.69	6.6	-11.8	n/a	n/a
Sweden	3**	50.25	43.71	40.90	-6.4	-18.6	n/a	n/a
	Tele2	23.33	21.86	20.71	-5.3	-11.2	n/a	n/a
	Telenor	31.52	30.42	28.10	-7.6	-10.9	7.60	31.49
	TeliaSonera	21.37	21.01	19.06	-9.3	-10.8	8.76	27.81
Switzerland	Orange	43.17	40.33	39.83	-1.2	-7.7	n/a	n/a
	Swisscom Mobile	37.35	32.96	34.08	3.4	-8.8	9.46	49.85
	TDC Switzerland	27.71	25.48	24.80	-2.7	-10.5	n/a	n/a
UK	3**	62.31	46.86	45.50*	-2.9	-27.0	22.00*	55.00*
	O2	35.70	30.20	30.60	1.3	-14.3	15.90	54.10
	Orange	32.08	30.83	29.83	-3.2	-7.0	12.33	60.33
	T-Mobile	32.00	26.00	26.00	0.0	-18.8	11.00	55.00
	Vodafone	34.61	27.81	27.68	-0.5	-20.0	11.07	50.96

*Analyst estimate. **3 reports a combined figure for Sweden and Denmark, and one for the UK and Ireland. †ARPU given for 2Q08 and 3Q08 refers to blended ARPU of Q-Telecom and Wind Hellas together. ††Orange Netherlands was deconsolidated and acquired by T-Mobile Netherlands in Oct-07. €1=US$1.44 at end-3Q08.

Source: Informa Telecoms & Media

Central & Eastern Europe, mobile ARPU by operator, 3Q08

Country	Operator	Blended ARPU, 3Q07 (€)	Blended ARPU, 2Q08 (€)	Blended ARPU, 3Q08 (€)	Quarterly change, 3Q08 (%)	Annual change, 3Q08 (%)	Prepaid ARPU, 3Q08 (€)	Postpaid ARPU, 3Q08 (€)
Albania	Albanian Mobile Comms	14.00	13.00	13.00	0.00	-7.14	n/a	n/a
	Vodafone	16.72	14.72	15.87	7.81	-5.08	11.63	78.76
Armenia	ArmenTel	11.29	9.69	9.62	-0.72	-14.79	n/a	n/a
	K Telecom	16.20	8.93	10.52	17.81	-35.06	n/a	n/a
Azerbaijan	Azercell	11.01*	10.29*	10.10*	-1.85	-8.27	n/a	n/a
	Bakcell	8.77*	8.49*	8.60*	1.30	-1.94	n/a	n/a
Belarus	MDC	9.80	6.90	7.60	10.14	-22.45	3.30	8.70
	Mobile TeleSystems	9.80	6.21	7.13	14.81	-27.24	n/a	n/a
Bulgaria	BTC (Vivatel)	6.00*	5.00*	5.50*	10.00	-8.33	n/a	n/a
	GloBul	11.00	9.00	9.00	0.00	-18.18	n/a	n/a
	MobilTel	10.40	9.90	10.10	2.02	-2.88	3.10	17.60
Croatia	T-Mobile	25.00	18.00	23.00	27.78	-8.00	10.00	51.00
	Tele2	7.00	6.50	6.90	6.15	-1.43	n/a	n/a
	Vipnet	16.30	14.90	15.60	4.70	-4.29	8.90	39.40
Czech Republic	T-Mobile	18.00	20.00	22.00	10.00	22.22	9.00	36.00
	Telefonica O2	19.45	21.99	21.39	-2.73	9.97	10.05	34.56
	Vodafone	22.51	25.39	24.76	-2.48	10.00	13.11	35.54
Estonia	Elisa	18.20*	17.00*	16.20*	-4.71	-10.99	n/a	n/a
	EMT	23.07	20.30	17.90	-11.82	-22.41	n/a	n/a
	Tele2	14.17	13.37*	12.90	-3.52	-8.96	n/a	n/a

Central & Eastern Europe, mobile ARPU by operator, 3Q08 (cont.)

Country	Operator	Blended ARPU, 3Q07 (€)	Blended ARPU, 2Q08 (€)	Blended ARPU, 3Q08 (€)	Quarterly change, 3Q08 (%)	Annual change, 3Q08 (%)	Prepaid ARPU, 3Q08 (€)	Postpaid ARPU, 3Q08 (€)
Georgia	Geocell	11.23*	11.88*	12.20*	2.69	8.64	n/a	n/a
	Magticom	13.00*	9.12*	9.97	9.32	-23.31	n/a	n/a
	Mobitel	4.42	5.19	6.85	31.98	54.98	n/a	n/a
Hungary	Pannon	19.41	17.28	18.58	7.52	-4.28	9.65	30.28
	T-Mobile	19.00	17.00	18.00	5.88	-5.26	8.00	34.00
	Vodafone	20.02	18.75	18.84	0.48	-5.89	10.09	29.39
Kazakhstan	GSM Kazakhstan	10.36*	10.29*	10.20*	-0.87	-1.54	n/a	n/a
	Kar-Tel	7.64	7.79	8.38	7.57	9.69	n/a	n/a
Kyrgyzstan	Bitel	6.07	6.33	8.30	31.12	36.74	n/a	n/a
Latvia	Bite	7.94	11.54	11.97	3.73	50.76	2.70	21.00
	LMT	21.31	20.13	24.10	19.72	13.09	n/a	n/a
	Tele2	11.90	10.72*	10.25*	-4.38	-13.87	n/a	n/a
Lithuania	Bite	8.97	8.18	9.00	10.02	0.33	5.60	21.30
	Omnitel	7.82	9.94	6.71	-32.49	-14.19	2.90	22.07
	Tele2	4.92	4.46	4.96	11.21	0.81	n/a	n/a
Macedonia	Cosmofon	13.00	9.00	11.00	22.22	-15.38	n/a	n/a
	T-Mobile	14.00	11.00	12.00	9.09	-14.29	7.00	24.00
	VIP	n/a	4.50	5.53	22.89	n/a	n/a	n/a
Moldova	Moldcell	7.02	5.52	5.28	-4.35	-24.79	n/a	n/a
	Moldtelecom (Unite)	11.70	7.28*	6.80*	-6.59	-41.88	n/a	n/a
	Orange	8.23	7.30	7.00	-4.11	-14.95	n/a	n/a
Montenegro	ProMonte	17.19	14.27	14.23	-0.28	-17.22	11.22	28.35
	T-Mobile	14.18	11.99	12.48	4.09	-11.99	n/a	n/a
Poland	Orange	13.75	14.34	14.33	-0.07	4.22	n/a	n/a
	P4	13.89*	14.40*	13.94*	-3.19	0.36	n/a	n/a
	Polkomtel	13.35*	14.10*	13.71*	-2.77	2.70	n/a	n/a
	Polska Telefonia Cyfrowa	13.00	15.00	16.00	6.67	23.08	6.00	26.00
Romania	Cosmote	5.60	4.90	5.00	2.04	-10.71	n/a	19.60*
	Orange	11.08	10.33	10.17	-1.55	-8.21	n/a	n/a
	Vodafone**	10.90	10.30	10.40	0.97	-4.59	3.90	21.40
	Zapp	21.30	18.10*	17.80*	-1.66	-16.43	n/a	n/a
Russia	MegaFon	10.52	10.01	11.08	10.69	5.32	n/a	n/a
	Mobile TeleSystems	7.01	6.97	7.96	14.20	13.55	5.40	25.40
	Smarts	4.21	3.67*	3.40*	-7.36	-19.24	n/a	n/a
	Tele2	6.11	6.15	6.18	0.49	1.15	n/a	n/a
	VimpelCom	7.71	9.31	10.52	13.00	36.45	n/a	n/a
Serbia	Telekom Srbija	12.00*	12.20*	13.00*	6.56	8.33	n/a	n/a
	Telenor	8.41	9.89	10.62	7.38	26.28	6.39	23.64
Slovakia	Orange	20.83	21.25	21.67	1.98	4.03	n/a	n/a
	T-Mobile	18.00	19.00	21.00	10.53	16.67	7.00	32.00
Slovenia	Mobitel	23.77	23.00	28.00	21.74	17.80	12.00	37.00
	SiMobil	24.90	23.60	25.80	9.32	3.61	10.00	34.50
Tajikistan	Indigo-Somoncom	8.60*	7.21*	7.21*	0.00	-16.16	n/a	n/a
	Tacom	7.01	5.95	7.20	21.01	2.71	n/a	n/a

Central & Eastern Europe, mobile ARPU by operator, 3Q08 (cont.)

Country	Operator	Blended ARPU, 3Q07 (€)	Blended ARPU, 2Q08 (€)	Blended ARPU, 3Q08 (€)	Quarterly change, 3Q08 (%)	Annual change, 3Q08 (%)	Prepaid ARPU, 3Q08 (€)	Postpaid ARPU, 3Q08 (€)
Turkmenistan	Barash Communication Technologies	40.24	13.87	6.92	-50.11	-82.80	n/a	n/a
Ukraine	Astelit	4.42	3.99	4.84	21.30	9.50	n/a	n/a
	Golden Telecom	10.20	n/a	n/a	n/a	n/a	n/a	n/a
	Kyivstar GSM	6.38	5.76	6.39	10.94	0.16	5.31	26.66
	MTS-Ukraine	5.12	4.69	5.68	21.11	10.94	3.00*	23.00
	Ukrainian Radio Systems	3.16	4.75	6.72	41.47	112.66	n/a	n/a
Uzbekistan	Coscom	n/a	3.93*	5.05*	28.50	n/a	n/a	n/a
	Unitel	5.19	4.18	4.49	7.42	-13.49	n/a	n/a
	Uzdunrobita	7.22	4.94	5.05	2.23	-30.06	n/a	n/a

Note: No data available for operators in Bosnia Herzegovina and Kosovo. *Analyst estimate. **In Oct-07, Vodafone Romania rebased all its tariffs and changed its functional currency from US dollars to euros. The 3Q07 ARPU figure reported in euros by Vodafone was translated by the company at the 1-Oct 07 US$/euro exchange rate.

Source: Informa Telecoms & Media

Update ■

Western Europe, mobile ARPU update, 3Q08

Vodafone saw an uplift in ARPU at a large number of its European subsidiaries in 3Q08, bucking the general downward trend among the region's operators. Vodafone recorded positive ARPU growth compared with the previous quarter in Greece, Ireland, Italy, Malta, Portugal and Spain.

The operator's ARPU growth was a continuation of its development in some markets in 2Q08 and has emerged despite what Vodafone says are trying conditions in some countries. In one such market, Spain, the operator's ARPU rose 2.1% in 3Q08 compared with the previous quarter, to €33.30 a month.

The growth was despite Vodafone Spain's service revenue falling 2.4% year-on-year on an organic basis in the six months to end-3Q08. The operator has recently focused strongly on contract customers, who tend to produce higher ARPUs. It increased its postpaid share of subscriptions significantly in 3Q08, from 58.8% to 64.2% according to Informa Telecoms & Media figures.

In Italy, where Vodafone's ARPU grew 2% quarter-on-quarter in 3Q08, the company ran a number of summer promotions that helped stimulate voice and messaging use on its network. One promotion charged customers an initial €5 fee in exchange for a free €10 top-up each time they used €10 of voice traffic. Another offered subscribers a month of unlimited on-net messages for €8.

Vodafone Italy says it also benefited from a continued increase in its consumer and enterprise contract base. However, the prepaid segment, which constitutes almost 90% of the operator's subscription base, was responsible for its ARPU growth in 3Q08. Prepaid ARPU rose from €16.80 in the previous quarter to €17.40 a month, offsetting a €4 fall in contract ARPU to €56.50.

Aside from Malta, Vodafone's largest quarterly ARPU rise was in Greece, which saw an increase of 3.2% to €22.70 a month. It also saw growth of 1.9% in Ireland and 0.9% in Portugal.

On the other hand, Vodafone saw ARPU fall in its main markets of the UK and Germany, as well as in the Netherlands. Vodafone Germany has experienced significant price pressure in the prepaid market, with high levels of competition from resellers. ARPU among the country's mobile operators has slipped to some of the lowest levels in Western Europe, with Vodafone's at €16.80 in 3Q08.

In the UK, Vodafone's ARPU fell by 0.5% in 3Q08, to €27.68. ARPU actually stayed at the same level in the operator's domestic currency, but the company has suffered from the weakening of the pound against the euro.

UK currency impact

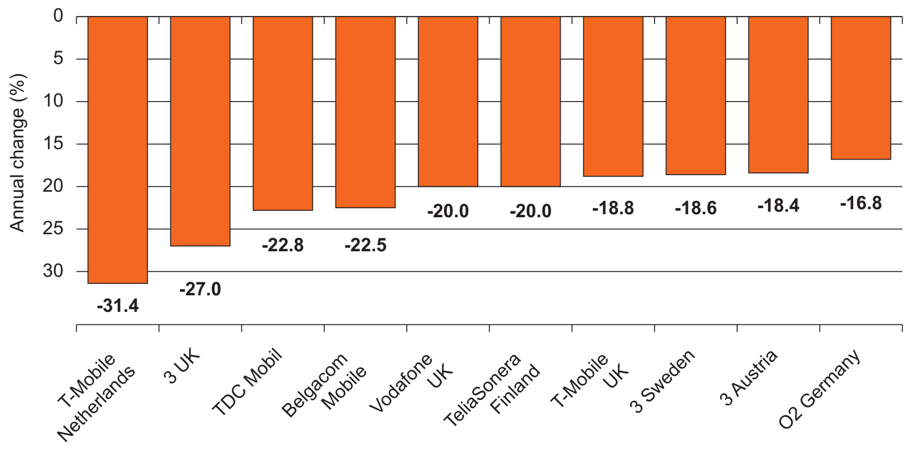
The currency effect applied to all UK operators in the year to 3Q08 and contributed to some of the region's biggest year-on-year falls in ARPU. 3 saw the UK's most sizable decrease and the second-largest among Western European operators that reported their figures, with ARPU falling by 27% to an estimated €45.50 a month (see fig.). Nonetheless, the operator still has the region's highest ARPU.

3 attributed the decline to UK and EU regulation on termination rates and international roaming, as well as a significant increase in mobile broadband customers, who typically generate lower ARPU than standard users. 3 UK had gained more than 600,000 mobile broadband subscriptions by end-2008, equivalent to more than 10% of its subscription base, after launching the service in September 2007.

Although UK operators saw year-on-year falls in ARPU, O2 succeeded in increasing its figure from the previous quarter, from €30.20 to €30.60. O2 has managed to offset some of the decline in its voice ARPU with a rise in contract subscriptions. This growth was driven by the migration of customers to SIM-only contracts and propositions such as the iPhone 3G. The operator's data ARPU also grew year-on-year in 3Q08, rising 8.9%.

T-Mobile UK managed to keep its ARPU stable at €26 quarter-on-quarter, although it experienced a fall of 18.8% from the previous year. Like O2, the operator has bolstered contract subscriptions with SIM-only tariffs.

Western Europe, operators with largest annual ARPU declines, 3Q08



Source: Informa Telecoms & Media

Annual comparison

On a year-on-year basis, practically every mobile operator that reported figures in Western Europe saw a fall in ARPU.

These declines have been caused by continued pressure on mobile voice revenues, as well as the regulatory and mobile broadband effects cited by 3 UK. Some of the largest falls were in countries such as Austria and Sweden, which have among the highest penetration rates for mobile broadband.

But the largest drop of all was at T-Mobile Netherlands, where ARPU plummeted from €35 to €24 a month, even though revenues rose 62.2% over the same period. The size of the fall is largely a result of T-Mobile's September 2007 acquisition of Orange Netherlands, which had a larger share of low-ARPU prepaid subscriptions.

Apart from Cypriot operator Areeba, the only players that reported a year-on-year increase were Telia Denmark and Orange France.

Telia Denmark recorded a significant uplift of 8% to €35.79. In the year to end-3Q08, the operator increased the proportion of contract subscriptions in its customer base and also succeeded in raising postpaid ARPU by almost €4 to €43.30.

Orange France's growth of 0.2% in ARPU was helped by its growing proportion of contract customers and an acceleration in data revenue. According to the operator, data services accounted for 20.4% of network revenue in the first nine months in 2008, compared with 17.2% in the same period the previous year. Orange had also sold 216,000 iPhone 3G handsets by end-3Q08.

Although all other operators experienced a year-on-year fall in ARPU, some managed to emulate Vodafone by recording quarterly increases. In all, 20 of the 58 operators that reported ARPU saw a rise compared with the previous quarter, and six kept it at the same level.

A number of countries were also notable for having two or more operators that increased ARPU on a quarterly basis, and Spain was again among these markets. Yoigo's ARPU was estimated to have increased 6.6% to €26.69, even though parent TeliaSonera forecast that its losses would total more than SEK1 billion (US$120.8 million) in 2008.

Meanwhile, Telefonica saw its ARPU rise 0.3% quarter-on-quarter. An increase in the operator's prepaid ARPU more than offset a decline in the contract figure, perhaps reflecting the changing dynamics of the Spanish market in the current economic climate.

The other markets where two or more operators saw a quarterly increase were France, Greece, Ireland, Italy and Portugal.

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Eastern Europe, mobile ARPU update, 3Q08

Rapid growth in the number of mobile subscriptions in the Balkans and Central Asia, as well as Armenia, Georgia and Azerbaijan, resulted in a year-on-year fall in ARPU at most operators in these markets in 3Q08. This was because their customer bases became further diluted with low-ARPU subscriptions as services were extended to lower-income segments of the population and cheap prepaid SIM cards were widely distributed.

The trend was coupled with cuts in mobile termination rates (MTRs) and roaming rates in the more developed markets of Central Europe to produce a widespread decline in ARPU in Central and Eastern Europe as a whole. The launch of new data-only mobile broadband subscriptions that generate lower ARPU than voice subscriptions also had a negative impact on ARPU at some operators, although it did help boost overall revenue.

There was little evidence that the economic downturn had begun to hit operator ARPU in CEE in 3Q08: Only in Kazakhstan did the operators report that a decline in macroeconomic conditions had affected operations. Kar-Tel's ARPU rose year-on-year only because the operator changed its method of calculating the figure, basing it on active rather than total subscriptions.

Across Central and Eastern Europe, blended ARPU ranged from €5 or less at operators offering low-cost tariffs, including third-placed operators Astelit in Ukraine and Cosmote in Romania, through to more than €25 at both of the main operators in Slovenia. The latter is the market with the highest ratio of contract-to-prepaid subscriptions in the region.

The average blended ARPU figure for the 70 operators in Central and Eastern Europe for which figures were available fell approximately €1 year-on-year, to less than €12 in 3Q08. The weighted average blended ARPU for the region as a whole was only approximately €10, however, thanks to lower-than-average ARPU at the Russian and Ukrainian operators, which together account for more than half of the region's total subscriptions.

Among the 70 operators, 40 recorded a year-on-year fall in ARPU, as expressed in euros, while only 30 reported a rise. This latter group included all the operators in the Czech Republic and Poland, however, where in local-currency terms most reported a fall in ARPU, which was registered as a rise in euro terms only thanks to exchange rate fluctuations.

Rate cuts and price cuts hit Central Europe

Cuts in MTRs and continued reductions in call prices in Poland meant three of the country's four mobile operators recorded a year-on-year fall in ARPU expressed in local currency, with only PTC experiencing a rise. Mobile termination rates were cut by 15% in Poland in May, making 3Q08 the first full quarter in which the rate cut made an impact on results. Orange Poland estimates that the MTR cut, combined with the reduction in EU roaming rates, had a negative impact of €65 million on its revenue for the first nine months of 2008.

Telenor similarly reported that ARPU at Pannon, its subsidiary in Hungary, fell 5% year-on-year in local-currency terms, a decline it attributed primarily to the lower interconnect charges introduced in January 2008 and reductions to roaming charges in the EU in both 3Q07 and 3Q08.

In Slovenia, where No. 2 operator SiMobil was previously permitted to charge higher interconnection rates than the market's dominant operator, Mobitel, SiMobil noted the negative impact on its 3Q08 revenues of the move toward more-symmetrical interconnection rates.

Rate cuts were combined with competitive pressure on prices in some markets. Croatia, for example, although not an EU member, saw a reduction in wholesale roaming prices following the introduction of the European legislation. The third quarter is Croatian operators' peak season for roaming revenue, and the price cut therefore had a direct effect on T-Mobile, which includes roaming revenues in its ARPU calculations: Its monthly ARPU in Croatia was down €2 year-on-year, to €23, in 3Q08. Telekom Austria subsidiary Vipnet, meanwhile, reported that reductions in voice-call prices, combined with a 1.8% decline in the average minutes of use charged per subscriber, led to a 4% decline in ARPU.

Telekom Austria reported that at its Bulgarian subsidiary MobilTel, a 22% increase in the average number of minutes charged per subscriber only partly offset lower prices, with the result that ARPU fell €0.30 year-on-year to €10.10.

In Romania, it suffered from an effective decrease in the price per minute that was the result of aggressive market competition: Its ARPU fell 4.6% year-on-year in euro terms to €10.40.

Emphasis on contract segment eases pressure

Vodafone Romania was able partly to offset the impact on its results of strong competition in the prepaid sector by introducing packages designed to increase contract and enterprise subscriptions and usage levels, such as its Vodafone Complet package, which bundles a number of services for a flat fee.

PTC, the only Polish operator whose ARPU increased year-on-year, reported that its blended ARPU was up 10.8% in local-currency terms (23% in euro terms), giving it the highest ARPU of any operator in Poland, at €16. It attributed this result to its success in attracting new subscriptions in the contract segment; PTC's parent company, T-Mobile, also noted an improvement in churn rates among contract subscriptions at all its major operations in CEE.

Although Orange Poland suffered a decline in ARPU, it too noted that a rise in the ratio of its contract customers to prepaid customers had helped mitigate the effect of cuts in call-termination and roaming rates. The picture was similar for operators in markets such as Croatia, Slovenia and Hungary.

In Ukraine, the operators' emphasis was less on connecting customers to contracts and more on broader campaigns to tie in higher-value customers in a market where 94% of subscriptions are prepaid and prepaid will remain the dominant payment mechanism. MTS recorded a net loss of more than 1 million subscriptions in Ukraine in 3Q08, many of which it disconnected because they had been inactive. This helped boost the operator's ARPU by €1 quarter-on-quarter in a move that it described as a focus on "subscriber quality."

Data and VAS boost ARPU

MTS Ukraine reported that significant growth of value-added-services users and revenues, as well as the commercial launch of its CDMA-based mobile broadband network in the major cities of Crimea in 3Q08, pushed up ARPU. In Russia too it noted an increase in VAS revenue to account for 14.8% of ARPU in 3Q08.

Poland and Romania have seen the greatest uptake of 3G and HSPA subscriptions in Central and Eastern Europe and, not surprisingly therefore, growth in data revenues at operators in these markets made an important contribution to offsetting a general decline in voice revenue. Orange Poland reported that its mobile broadband subscription base (including EDGE customers) rose nearly 70% in the year to end-3Q08, to 4.1 million. The figure included more than 120,000 Internet Everywhere customers.

In Romania, Orange began selling five new laptops with integrated mobile Internet access in September in a strategy aimed at boosting uptake of mobile broadband and, by extension, the contribution of data to its revenues and ARPU. Vodafone Romania, meanwhile, reported that it recorded a strong rise in mobile PC-connectivity devices and data revenue in 3Q08 resulting from data promotions and what it described as "flexible" access offers.

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WESTERN EUROPE

UK network venture seals managed services deal

Mobile Broadband Network Limited, the 50:50 joint UK venture between 3 and T-Mobile, has selected Ericsson to provide managed services to complete the consolidation of their 3G radio-access networks. Ericsson will be responsible for network design and deployment requirements. Under the terms of the contract, about 220 T-Mobile operations staff have transferred to Ericsson. Ericsson was awarded a managed-services contract last November to operate the integrated 3G networks and T-Mobile's 2G network.

O2 UK to enter laptop market

O2 UK is set to launch mobile broadband laptop deals on Feb. 27. The operator will introduce three contract offers and will provide Samsung's NC10 and R510 laptop models. The tariffs will be available online and at O2's 490 stores nationwide.

Orange UK debuts mobile broadband products

Orange UK has unveiled two new mobile broadband laptops, both available on 24-month contracts. Subscriptions to the HP Compaq Mini 700 and Toshiba L300 are respectively priced at £30 (US$43.60) and £35 a month. Orange has also introduced a Huawei E160e dongle, which doubles as a memory stick with space for up to 8GB of data storage.

Virgin Mobile launches low-price contract

MVNO Virgin Mobile has launched a contract for £8.50 (US$12.35) a month, which it says is the UK's first to break the £9 mark. The tariff includes 100 minutes and 100 texts, as well as a free handset. Available handsets include the Samsung G600, LG KC550 and Nokia 3120.

French operators to collaborate on multimedia trials

French operators Orange, SFR and Bouygues Telecom are set to carry out a joint trial of multimedia communications services in 2H09. The operators will test functions including image- and video-sharing during a call and enhanced address-book functions. The trial forms part of trade body the GSM Association's Rich Communication Suite program, a joint initiative by industry players to facilitate the adoption of multimedia applications and services. Ericsson has also announced plans to trial multimedia applications based on the RCS program with Telefonica.

Belgacom certifies roaming hub

Belgacom's International Carrier Services division has completed the self-certification of its Open Connectivity Roaming Hub, which should help to facilitate roaming agreements between mobile operators. The move is in line with an initiative by trade body the GSM Association to seek new ways to set up roaming agreements through a hub rather than one-to-one relationships between the world's operators. Belgacom ICS previously participated in a roaming-hub trial involving 29 operators and 10 vendors from across the globe.

Belgacom launches converged tariff

Belgacom has launched a new tariff plan that combines fixed and mobile telephony and is aimed at customers who make a lot of off-peak calls. For €35 (US$45) a month, subscribers can make free fixed and mobile calls in the evenings and at weekends to any destination in Belgium. Premium numbers are excluded from the deal, however.

Vodafone Netherlands unveils application manager

Vodafone Netherlands has launched a beta version of Application Manager, a service that facilitates customers' access to free applications. The portal is accessible through both regular and mobile Internet. Initial applications include Vodafone TV, Vodafone Music, Live Messenger, Google Maps and YouTube.

Vodafone Portugal trials HSPA+

Vodafone Portugal has carried out tests of HSPA+ technology in partnership with Ericsson. Peak download speeds of 16Mbps were achieved during the tests. Vodafone Portugal expects to launch HSPA+ offers this year, once compatible devices come into the market.

CENTRAL AND EASTERN EUROPE

Telefonica O2 strikes Czech messaging deal

Telefonica O2 Czech Republic has selected Alcatel-Lucent to support the launch of an array of next-generation messaging services. The vendor's converged platform will allow customers to access many new services in addition to traditional voice mail. The five-year contract includes project management, software integration, deployment and maintenance.

Vipnet plans HSPA+ launch

Croatian operator Vipnet has outlined plans to start supporting HSPA+ as early as spring, with initial deployment in major cities. The operator previously achieved data-download speeds of up to 21Mbps in tests of the technology. Vipnet is also introducing HSUPA 5.7 technology, raising data-upload speeds by a factor of almost four. The operator has separately been testing DVB-H.

Romanian regulator gives number-porting update

Romanian regulator ANC has said that more than 26,000 mobile numbers had been ported by the start of February, following the launch of number portability in October. Cosmote led the way with 11,707 ports, compared with 7,328 for Vodafone and 6,849 for Orange.

MTS acquires retailer

Russian operator MTS has acquired 100% of Narico Holdings, the sole owner of Russian retail chain Telefon.ru. MTS bought the stake for US$50 million from Analog Holdings and Delemont Investments. Telefon.ru, which has 512 stores in 180 Russian cities, provides handsets and other electronic goods, as well as mobile operator tariffs.

MARKET DEVELOPMENTS

Bebo opens up to mobile partners

Bebo has launched a global program that provides tools to open up its social-networking functions to partners in the mobile industry. The Bebo Open Mobile initiative incorporates a mobile development API, enabling the company's partners to create applications and widgets to serve the Bebo community, as well as mobile Internet and messaging tools. Bebo will work with mobile operators, handset manufacturers and software developers to help promote, distribute and generate revenue from social media. The company expects to make further announcements about Bebo Open Mobile throughout 2009.

GSA gives 3G update

Industry body the Global Mobile Suppliers Association has given an update on the current global status of 3G and HSPA. The GSA says that WCDMA has been commercially launched in 115 countries and is the leading 3G system globally, with a 71.3% share. The body also says that more than 93.5% of WCDMA operators have launched HSPA.

Comment

Gareth Willmer examines operators' options for packaging mobile broadband

European operators in countries where HSPA penetration has risen swiftly will see an increasing need to expand and differentiate their mobile broadband packages and bundles, as well as the way they market them.

In some European countries, HSPA has already exceeded 10% of total mobile subscriptions, a major acceleration over the past couple of years. By end-3Q08, the figure in Portugal was more than 13.3% and approaching 10% in Austria and Sweden.

In markets such as Sweden, mobile broadband competition has led to prices bottoming out, with 3 Scandinavia CEO Peder Ramel saying last October that operators could not afford to cut prices further. As HSPA take-up rises in more markets this year, operators will have to find ways to expand their tariffs, target new customer segments and differentiate their offers in order to retain their edge over competitors.

One method for expanding their options is for operators to bundle mobile broadband with voice price plans, something they have largely resisted, although they have marketed mobile voice tariffs alongside fixed broadband. Operators may, however, wish to keep voice and mobile broadband as separate revenue streams.

In order to inspire HSPA usage and drive data revenues on mobile phones, operators could also offer tariffs that enable the data allowance to be used on either a PC or a handset.

Operators have already started bundling mobile broadband and fixed-line services, with companies such as Telekom Austria and Vodafone Italy launching combined HSPA and DSL services last year.

In Portugal, which is among the frontrunners in Europe in terms of HSPA uptake, operator TMN has been marketing its Meo "quintuple play" package, which provides mobile broadband alongside parent Portugal Telecom's ADSL, fixed-telephony, TV and video-on-demand service. It has also been selling OfficeBox for businesses, which includes a PC and fixed and mobile voice and broadband.

TMN has further been attempting to attract new types of users to mobile broadband by launching targeted marketing initiatives. The company has additionally launched a prepaid mobile broadband service to appeal to new market segments.

Operators would increase the mass-market appeal of mobile broadband by attracting pay-per-use customers, but most have so far opted to offer contracts that lock customers in for 12-24 months. In a review of mobile broadband tariffs in 3Q08, Informa Telecoms & Media found that less than half of Western Europe's operators offered pay-per-use price plans.

One substantial barrier to the fast take-up of these tariffs is the charge for equipment, which is typically not subsidized. In Western Europe, the average charge for a USB modem with these price plans was US$126 in 3Q08, and attracting pay-per-use customers could therefore be a challenge.

Mobile players will, meanwhile, have to be inventive to differentiate their contract plans from those of rivals. Operators are likely to start providing more free add-ons to entice users. T-Mobile UK, for example, began offering 200 "free" text messages with some of its mobile broadband packages in 3Q08.

Some operators have also begun to offer laptops with embedded HSPA modules, generally "free of charge" on 24-month contracts, although they have so far accounted for only a small share of the market. The subsidies that operators place on these laptops mean they can hardly be described as significant revenue-generating opportunities, but they should help expand the mobile broadband market.

But key for operators looking to gain a competitive edge could be their ability to overcome the need to impose usage caps on mobile broadband tariffs. This is a major conundrum for operators that want to inspire take-up but at the same time ensure they have sufficient capacity to cover a surge in usage.

Operators that can achieve this goal stand to gain because customers that are swayed by the removal of usage caps will likely be the heaviest consumers of data.

In Eastern Europe, Vodafone Hungary has just deployed a system with technology company Camiant that enables it to increase usage on its HSDPA network while not cutting off people who exceed their monthly mobile data allowance.

Subscribers who surpass their usage cap can expect to see their peak-hour mobile broadband speed drop to that available via EDGE technology. In off-peak hours, however, they will still be able to attain full network speeds for no additional fee.

Although this is not the ultimate resolution, because heavy users will still see their speed reduced after a certain point, it is a step in the right direction. And any operators that can further overcome this barrier stand to gain a significant competitive advantage in the mobile broadband market.

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Mobile Communications | Europe

Strategic intelligence on mobile operators & markets
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COUNTRIES & MARKETS ←

Europe

Analysis

Italy, mobile market update, 3Q08

The third quarter of 2008 confirmed an already obvious trend: the decline of Telecom Italia. The Italian telecoms incumbent lost more mobile subscriptions in 3Q08. Year-on-year, its base shrank by 36,000 mobile subscriptions (see fig.). In order to remain profitable, Telecom Italia promised to cut costs. About 4,000 jobs will go at Telecom Italia by 2011 in an effort to refocus on core growth markets in Italy and Brazil. Some assets outside these two countries might be put up for sale in the process. The job losses came on top of 5,000 announced in June 2008, and will reduce Telecom Italia's global workforce by 14%, to 55,000 from 64,000.

Cutting jobs will certainly reduce operating costs, but it will not necessarily grow the business. Acquisition is another option and Telecom Italia underlined in November that it was serious about turning its mobile arm around. In 2H08, 3 and Telecom Italia held discussions on a possible merger. They could not agree on a price or share swap ratio. The outcome also highlighted that 3 is considering selling up and withdrawing from the Italian market. Other options that were under consideration at the time were help from a Middle East sovereign fund, the sale to a non-European operator of a 50% stake or soldiering on as an independent company. A break-up of 3's assets to third parties was, however, rejected by its parent company Hutchison Whampoa.

Without an acquisition target that could fix its problems, Telecom Italia set out on its own path of improving service innovation and customer appeal. Much of this process started with the right technologies in place to facilitate new services. The operator planned to start

Italy, mobile subscriptions, 3Q08

Operator	Subscriptions	3Q07	2Q08	3Q08	Annual change (%)
3	Total subs	7,831,300	8,290,000	8,485,000	8.3
	Net adds in quarter	411,300	106,000	195,000	-52.6
	Total WCDMA	7,831,300	8,290,000	8,485,000	8.3
	WCDMA net adds in quarter	411,300	106,000	195,000	-52.6
Telecom Italia	Total subs	35,310,000	35,796,000	35,274,000	-0.1
	Net adds in quarter	998,000	-134,000	-522,000	-152.3
	Total WCDMA	5,728,000	6,499,000	6,807,880	18.9
	WCDMA net adds in quarter	581,000	161,000	308,880	-46.8
Vodafone Italia	Total subs	22,407,000	23,056,000	23,199,000	3.5
	Net adds in quarter	644,000	-12,000	143,000	-77.8
	Total WCDMA	4,700,000	6,231,000	6,715,000	42.9
	WCDMA net adds in quarter	36,000	322,000	484,000	1,244.4
Wind	Total subs	15,321,000	16,100,000	16,436,000	7.3
	Net adds in quarter	105,000	200,000	336,000	220.0
	Total WCDMA	1,630,000*	2,100,000*	2,360,000*	44.8
	WCDMA net adds in quarter	80,000	120,000	260,000	225.0
Country total					
Subscriptions		80,869,300	83,242,000	83,394,000	3.1
Net additions		2,158,300	160,000	152,000	-93.0
Prepaid as % of total		87.9	86.7	86.2	-1.7
WCDMA as % of total		24.6	27.8	29.2	4.6
Penetration (pop.) (%)		139.1	143.2	143.4	4.3
Fixed-broadband subscriptions		9,670,420	10,606,400	10,846,000	12.2

*Analyst estimate. **Percentage points

Source: Informa Telecoms & Media

deploying HSPA+ from January 2009 together with Qualcomm. After full rollout in 1H09, Telecom Italia will start to sell data cards capable of speeds of up to 21Mbps downlink and 5.7Mbps up. In the second stage, download speeds will be increased to 28Mbps in 2H09. The move is not a first for Italy. 3 led the way on HSPA+ in Italy together with Ericsson. The upgrade was launched in July.

The allocation of WiMAX licenses in August provided a new impetus to the race for very high-speed mobile data rates. All mobile operators have caught on. In November, Vodafone began testing an upgrade to its existing HSDPA mobile data service. The upgrade will offer download speeds of up to 14.4Mbps. Vodafone is conducting trials in Milan with Nokia Siemens Networks. Network upgrades will ease Vodafone's latest advances into the popular segment of mobile TV, which 3 dominates. In December, Italian Internet TV operator Babelgum started offering a free video-to-mobile service to Vodafone subscribers. Service launches in the UK and US are said to follow. In Italy, Babelgum will offer mobile video-streaming services to subscribers with an iPhone 3G, Nokia N95 or 6210.

Vodafone claimed that about 8% of Italians still have no access to fixed broadband. Vodafone is obviously keen to fill this gap in coverage. But with new regional WiMAX operators arriving, as well as Telecom Italia's revival plans, Vodafone will face stiff competition. One of these newcomers, the Italian WiMAX licensee Aria has invested heavily in a national rollout of an 802.16e mobile WiMAX network in November. Initially 130 sites in the Puglia and Veneto regions will be connected. Its ambitions are however not confined to regional Italy. A nationwide and eventually a pan-European network system are being planned.

Investing in new technologies is expensive. But in the long term it may provide the savings that could offset losses in service revenue elsewhere. Long anticipated by mobile operators, regulator Agcom announced one impending cause of revenue loss. Agcom confirmed that mobile termination rates will be cut in the period to 2011 in line with directives from the European Commission. Under the new MTR regulation, operators Wind, Telecom Italia and Vodafone will charge €0.053 by 2011, down from €0.085 for Vodafone and Telecom Italia. Wind is currently on €0.095. 3 will see its rate fall from €0.13 currently to €0.063 in 2011. By 2012, all four operators will charge the same rate of €0.045 per minute.

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Analysis ■

Greece, mobile market update, 3Q08

Mobile subscriptions grew by more than 15% year-on-year in 3Q08, slightly higher than the 13% growth in 2Q08. Total subscriptions reached 16.8 million at end-3Q08 and penetration was 157%, higher than in the whole of western European, which was 118% in the same period. Although mobile subscription growth has decreased in the last year, the quarter-on-quarter slowdown stopped in 3Q08 as net adds rose from 669,960 in 2Q08 to 759,160 in 3Q08 (see fig.).

Cosmote continued its lead in terms of subscriptions and net additions, accounting for more than 64% of all net adds in 3Q08, up from over 58% in 2Q08. According to Cosmote, it had around 50,000 contract net additions in 3Q08, bringing its total contract subs to 2.2 million, up year-on-year by 9.4%. Prepaid subscriptions also grew strongly, up 32.4% year-on-year to 5.3 million at end-3Q08. More than 68% of all subscriptions in Greece were prepaid in 3Q08.

Cosmote reported that its MOU reached 185 in 3Q08, up year-on-year by more than 36%, driven by prepaid outgoing traffic. Outgoing voice revenues increased by 6.5%. Revenues at all operators came under pressure from lower mobile termination rates introduced in February 2008. Cosmote claimed it was the only operator to experience positive service revenue growth.

Cosmote reported a fall of 12% in monthly blended ARPU in 9M08 to €24.40. Cosmote said this was due to the decline in prepaid ARPU as a result of the growth of its prepaid segment in response to cheap on-net offers. The operator's postpaid ARPU also declined in 3Q08 thanks to the fast take-up of its 3G data modems (where revenue per subscription tends to be lower) and the fall in the rates for incoming calls.

Net additions at Vodafone began to pick up again in 3Q08. Vodafone recorded an increase

Greece, mobile subscriptions, 3Q08

Operator	Subscriptions	3Q07	2Q08	3Q08	Annual change (%)
Cosmote	Total subs	5,939,370	6,920,910	7,410,730	24.8
	Net adds in quarter	255,740	392,410	489,820	91.5
	Total WCDMA	183,000*	309,800*	351,400*	92.0
	WCDMA net adds in quarter	43,000	39,800	41,600	-3.3
Vodafone	Total subs	4,281,000	4,438,000	4,501,000	5.1
	Net adds in quarter	87,000	28,610	63,000	-27.6
	Total WCDMA	482,500*	688,600*	762,200*	58.0
	WCDMA net adds in quarter	81,250	71,960	73,600	-9.4
Wind Hellas	Total subs	4,347,430	4,690,700	4,897,040	12.6
	Net adds in quarter	1,313,470	248,940	206,340	-84.3
	Total WCDMA	161,500*	350,000	407,000*	152.0
	WCDMA net adds in quarter	51,500	80,000	57,000	10.7
Country total					
Subscriptions		14,567,800	16,049,610	16,808,770	15.4
Net additions		1,656,210	669,960	759,160	-54.2
Prepaid as % of total		65.8	65.4	68.3	2.6pp**
WCDMA as % of total		5.7	8.4	9.0*	3.4pp**
Penetration (pop.) (%)		136.0	149.7	156.7	20.7pp**
Fixed-broadband subscriptions		917,400	1,261,000	1,374,000	49.8

*Analyst estimate. **Percentage points

Source: Informa Telecoms & Media

in voice usage, with total network traffic up more than 7% year-on-year to 814.3 million minutes in 3Q08. Also, Vodafone reported the highest 3G subscriptions out of all the operators, accounting for just over 50% of all 3G subscriptions in 3Q08, at more than 760,000.

Wind's ARPU fell the most year-on-year from €20.50 in 3Q07 to €23 in 3Q08. Wind attributed the decrease to the continued growth in its prepaid subscription base. Alongside Cosmote, Wind had the highest prepaid subs base as a share of its total of all operators, at 71%. Wind hoped to stem the downward trend in its ARPU with new postpaid pricing schemes such as the Flexy, Automatic, SIM-only and hybrid plans. The operator also pushed fixed to mobile substitution, with new tariff offers and add-ons with embedded minutes to fixed numbers. As a result, growth in postpaid subscriptions on higher ARPU tariffs prevailed somewhat and Wind's postpaid churn fell from 23.8% in 3Q07 to 22.2% in 3Q08.

Cosmote estimated it accounted for most of the market's data modem net additions in 3Q08, though its overall 3G net additions in the quarter were only 41,600 compared to almost 73,600 at Vodafone and 57,000 for Wind. Cosmote's data revenues accounted for 8.9% of its total revenues in 3Q08, down from 11.8% in 2Q08, but both it and Vodafone are still behind Wind, according to Informa Telecoms & Media estimates. Wind reported that data accounted for 16.8% of its revenues in 3Q08 and that mobile web browsing revenues increased year-on-year by 40% in 3Q08.

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Analysis

Romania, mobile market update, 3Q08

Romania's mobile market grew year-on-year by 25% to 26.4 million subscriptions in 3Q08 (see fig.). Mobile penetration grew in the same period by 24 percentage points to 119%. All operators, except Zapp, added new subscriptions in the quarter, as they had done in 2Q08. According to Vodafone, successful data promotions by operators and flexible access tariffs in 3Q08 helped increase the number of PCs and devices connecting to the Internet on mobile networks, and as a result, mobile data revenues.

Cosmote continued to account for the largest share of net additions at 59% in 3Q08, up from 38% in 2Q08. The operator gained more than 603,000 net adds. Of this total, more than 22% were postpaid, bringing the operator's total subscriptions to 5.3 million, and a market share of 19.8%, up from 13.3% one year ago. OTE, Cosmote's parent company, said the operator ranked second in market share in some areas. OTE reported that cheap on-net offers and low prepaid revenue per user affected the operator's blended ARPU in 3Q08, which, compared with 3Q07, decreased by 10.7% to reach €5.

Vodafone's subscriptions reached 9.52 million at end-3Q08, up year-on-year by 10.8%. Vodafone said its subscription growth was helped by promotions targeted at the postpaid and business segments. Its Complet package bundled a number of services for a flat fee, and this helped offset strong competition from rivals in the prepaid segment as well as reducing the negative effects of decreases in the cost of calls. Vodafone's ARPU declined year-on-year from €11.07 to €10.40 in 3Q08, the operator said. Postpaid subs accounted for 36.2% of the operator's total subscriptions in 3Q08. Vodafone also reported expansion in its 3G and HSPA infrastructure, and improvement to its rural coverage.

Romania, mobile subscriptions, 3Q08

Operator	Subscriptions	3Q07	2Q08	3Q08	Annual change (%)
Cosmote	Total subs	2,818,060	4,642,520	5,246,320	86.2
	Net adds in quarter	601,600	404,380	603,800	0.4
Orange	Total subs	9,271,000	10,088,000	10,208,000	10.1
	Net adds in quarter	699,000	78,000	120,000	-82.8
	Total WCDMA	352,900*	530,000*	593,000*	68.0
	WCDMA net adds in quarter	65,200	55,000	63,000	-3.4
RCS&RDS	Total subs	n/a	1,306,700	1,139,700*	n/a
	Net adds in quarter	n/a	62,000	77,700	n/a
	Total WCDMA	n/a	1,306,700	1,139,700	n/a
	WCDMA net adds in quarter	n/a	62,000	77,000	n/a
Vodafone	Total subs	8,589,500	9,256,000	9,516,000	10.8
	Net adds in quarter	366,060	335,000	260,000	-29.0
	Total WCDMA	507,300*	756,900	835,300*	64.7
	WCDMA net adds in quarter	73,760	120,070	260,000	252.5
Zapp	Total subs	498,000	380,000	344,600*	-30.8
	Net adds in quarter	-48,000	-67,200	-35,400	n/a
Country total					
Subscriptions		21,176,560	25,673,220	26,454,620	24.9
Net additions		1,618,660	812,180	1,026,100	-36.6
Prepaid as % of total		64.4	61.2	62.4	-2.0pp**
WCDMA as % of total		4.1*	10.1*	9.7*	5.6pp**
Penetration (pop.) (%)		95.1	114.3	118.8	23.7pp**
Fixed-broadband subscriptions		1,665,500*	2,764,200*	2,408,925*	44.6

*Analyst estimate. **Percentage points

Source: Informa Telecoms & Media

Orange retained its leadership with 10,208,000 subscriptions at end-3Q08, up from 9,271,000 one year previously. Its postpaid subscriptions increased from 38.9% of its total in 3Q07 to 39.6% in 3Q08. In September, Orange began selling five new laptops with integrated mobile Internet access. These were the Asus EeePC 1000H, HP Compaq 6720s, Acer Aspire 5735Z, Asus Pro52L and the Dell Studio 1535. In December, Orange said it spent €200 million in 2008 on its mobile network in Romania, including €5 million on the expansion of shops. Orange's ARPU decreased the least of all operators year-on-year by €0.89 to reach €10.17 in 3Q08.

CDMA 1x EV-DO and WCDMA operator Zapp lost more than 37,000 subscriptions in 3Q08, although this was an improvement from its 2Q08 loss of 67,200. The operator has been fighting back for market share by various means. It launched two ZTE-designed 3G-enabled modems: the MF622 and the MF626 with data speeds of up to 3.6Mbps, and three CDMA modems, the Z020, the Z030 and the Z040. Zapp said the Z040 is the first EV-DO modem in the country with an internal antenna that increases the speed of data transfer significantly, using EV-DO Rev A. For €155, Zapp is also selling unlimited prepaid mobile Internet access, contract-free, with speeds up to 2.4Mbps for 12 months.

Meanwhile, the newest operator to launch, RCS&RDS, reached 1.2 million mobile subscriptions at end-3Q08, up from around 1.06 million in the previous quarter. In October, the regulator, ANC, reported that the operator's 3G network covered 400 communities (including major cities such as Arad, Bistrita, Braila, Galati and Targu Mures), around 50% of the population.

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