Same-Day Analysis for 25 Apr 2007

Telecoms

World - United Kingdom: BT Announces Major Restructuring; Edging Further Away from Telecoms

(Wed 25 Apr 2007) - BT has announced another restructuring of its operations, creating a design unit to anchor its transformation as an IT services business.

Telecoms

Uzbekistan: MTS Lands Uzbek 3G Licence

(Wed 25 Apr 2007) - Uzbekistan's leading mobile operator has now become the country's first UMTS licence-holder.

In Brief

Asia-Pacific

Telecoms

Indonesia: Malaysia's Maxis Raises Stake in NTS to 95%

(Wed 25 Apr 2007) - Malaysia's leading mobile operator, Maxis, said it has raised its stake in Indonesia's PT Natrindo Telepon Seluler (NTS) to 95% from 51% by acquiring another 1.261 billion shares for US$123.92 million, the AFX financial news provider reports. The company said its wholly-owned unit, Teleglobal Investments, has also entered into a call option agreement with PT Aneka Tirta Nusa over the latter's 143.36 million NTS shares, which represents 5% of the existing issued and paid-up share capital of NTS.

Significance: The acquisition will give Maxis full control over the operations, business plans and level of capitalisation of NTS and will enable Maxis to optimise its investment in the company. Maxis said it has received expressions of interest from potential strategic partners to participate in the development of NTS. The Malaysian company said it is currently evaluating these prospects, and it intends to invite a strategic partner that will assist Maxis to achieve its overall objectives, which includes an accelerated roll-out of the NTS network. NTS, one of five 3G mobile licence-holders in Indonesia, launched its commercial 3G services in February this year. It was the last 3G operator that commercialised its 3G services (see Indonesia: 28 February 2007: NTS Commercialises 3G Services in Indonesia).

Telecoms

Macau: China Unicom Faces Lack of 3G Handset Supply for Operations in Macau

(Wed 25 Apr 2007) - China Unicom is facing problems in rolling out its 3G services in Macau, because of a lack of suitable handsets, the Communication Weekly reports, citing a source close to the matter. The source said that China Unicom Macau had been seeking to buy 15 types of CDMA-20001X EV-DO mobile handsets with just 2000 units of each type. However, the order amount was well below most manufacturers' minimum requirement for orders of 30,000-40,000 units per model. As a result few 3G handset manufacturers responded to the company's procurement tender, since the small number of units sought meant that producing the handsets would have been uneconomical. In addition, since China itself has yet to formally settle its CDMA technology standard for 3G services, the manufacturers would not have been able to sell their EV-DO handsets to the mainland, the source said.

Significance: China Unicom, the second-largest mobile operator in mainland China, launched a CDMA mobile service in Macau in October last year. The operator now has more than 10,000 subscribers in Macau and expects to launch its 3G services based on CDMA technology in June this year, after receiving one of the three 3G licences issued in Macau in October last year (see Macau: 25 October 2006: Three 3G Licences Awarded in Macau).

Telecoms

Singapore: MobileOne Expects EBITDA Margin at 45-46% in Long Term

(Wed 25 Apr 2007) - MobileOne (M1), the smallest of the three mobile carriers in Singapore, sees its earnings before interest, tax, depreciation and amortisation (EBITDA) margin stabilising at 45% to 46% in the longer term, Dow Jones reports, citing Chief Executive Neil Monteiro. The company's EBITDA margin fell to 43.4% in the three months ending 31 March 2007, from 50.4% a year earlier. The operator yesterday reported a 10% rise in its first-quarter net profit to S$49.7 million (US$32.8 million) from S$45 million a year earlier, due largely to a tax-rate adjustment. Without the tax adjustment, M1's net profit would only have been S$36.8 million. The operator's operating revenue for the quarter rose to S$196.4 million from S$190.8 million a year earlier.

Significance: M1's market share in the mobile market in the first quarter fell to 28.9% from 29.1% last year. The company added 41,000 new subscribers on a net basis to a total of 1.378 million as of end-March. Its customer acquisition cost per subscriber for the quarter rose to S$194 from S$130 last year, due to promotions related to its tenth anniversary. As mobile penetration in Singapore has exceeded 100%, there is very limited room for further subscriber growth. SingTel and StarHub have started offering bundled services to attract customers. M1, which has not followed the same strategy, will find it difficult to compete with its larger rivals.

Telecoms

South Asia: KT Freetel Posts Lower Q1 Profit on High Marketing Costs

(Wed 25 Apr 2007) - KT Freetel (KTF), South Korea's second-largest mobile operator, has reported a 39% fall in its net profit to 77.1 billion won (US$68.3 million) in the first quarter of this year. The company generated sales of 1.77 trillion won, compared with 1.56 trillion won in the year-earlier period. The company's margin on earnings before interest, tax, depreciation and amortisation (EBITDA) dropped to 28.8% from 34.6% in the fourth quarter of last year.

Significance: KTF's profitability was hit by rising marketing costs for its recently launched HSDPA service. KTF and its larger rival, SK Telecom, in March both launched a nationwide HSDPA service, embarking on another round of a marketing war in the advanced mobile service. KTF hopes that HSDPA will eventually enable it to take over the market leadership held by SK Telecom. It expects 5 million new subscribers to HSDPA services in South Korea this year and is targeting at least 2.7 million of that figure. However, the costs of building and running the new networks, along with high marketing costs in order to attract customers, will hurt both operators' profits before they see any tangible benefits. KTF has previously said that it expects its margins to weaken this year due to high...
marketing costs for the new HSDPA service. A large portion of the HSDPA-related marketing expenses will be used to subsidise
subscribers’ purchase of still-expensive handsets designed for the HSDPA service (see South Korea: 18 April 2007: KTF HSDPA
Subscriber Base Exceeds 300,000 and South Korea: 28 March 2007: SK Telecom Launches Nationwide HSDPA Mobile
Service).

Telecoms

Sri Lanka: MTNL, VSNL in Bidding for Suntel in Sri Lanka

(Wed 25 Apr 2007) - The state-run Indian operator, MTNL, has been shortlisted, along with other companies, to bid for Sri Lanka’s
fixed-line telephone service company, Suntel Ltd, the Economic Times reports, citing MTNL Chairman and Managing Director, R. S.
P. Sinha. MTNL is likely to appoint a consultant to carry out due diligence on Suntel before placing its bid, the newspaper said. Sri
Lanka's John Keells Holdings, Telekom Malaysia and Tatas-owned VSNL are thought to be some of the other companies also short-
listed for the Suntel sale, according to the paper.

Significance: Suntel—a joint venture between Sweden's Overseas Telecom, Townsend of Hong Kong, Metrocorp, National
Development Bank and International Finance Corp—has a subscriber base of about 300,000 and is the largest fixed-line competitor
to incumbent Sri Lanka Telecom. Suntel offers a range of voice, data, ISDN, dedicated packet solutions and internet services.

CIS

Telecoms

Belarus: Plans for 3G Licensing in Belarus Face Delays—Minister

(Wed 25 Apr 2007) - Deputy Communications and IT Minister Nikolai Strukov has indicated that the process of introducing 3G
technology into Belarus is subject to technological delays, according to Prime-Tass Belarus. Strukov has pointed out that since
Belarusian frequencies influence neighbouring countries, the process of co-ordinating frequencies is time-consuming. He added that,
by this end, work is currently being undertaken to harmonise television and radio frequencies and that tests of 3G equipment supplied
by Siemens and Ericsson have produced positive results. However, Strukov did not give any specific timeline for the allocation of 3G
licences.

Significance: At the end of the first quarter of 2007 mobile penetration in Belarus was around 63.5%, with a national market of 6.16
million subscribers. Both leading operator MTS Belarus and minor player BeST have noted that the trend for uptake of non-voice
services is increasing. MTS general director Vladimir Karpovich has noted that uptake of non-voice services in the country is
increasing, stating that 20% of MTS Belarus clients are GPRS users, while 75% have the capacity to use the service. BeST’s head of
product management, Yevgeny Martinovich, has suggested that while SMS and data services currently drive the non-voice sector,
more advanced services, such as those enabled by 3G technology, can be expected to become increasingly popular as the market
matures (see Belarus: 24 April 2007: BEST Hoping to Make Impact in Value-Added Services Market). Martinovich has estimated
that in Belarus non-voice services contribute around 10% of operators’ revenues, while Karpovich has indicated that in more mature
markets this figure is closer to 40%. While Belarus lags behind more developed markets, its telecoms sector is nevertheless maturing,
and the indications are that once 3G licences become available the service will be well-subscribed.

Telecoms

Moldova: Moldcell Announces Five-Year US$84-mil. Investment Package

(Wed 25 Apr 2007) - Moldova's second largest mobile operator, Moldcell, has announced that it is to invest US$84 million in its
infrastructure over the next five years, reports SeeNews. The funds will be directed towards network coverage area expansion, in
order to improve the accessibility of its services. At the end of the first quarter of 2007 the operator's network was available to 93.6%
of the population and across 93.1% of the country. Moldcell reported that since 2000 it has invested US$84 million in its operations,
and last year announced a US$55 million five-year investment plan (see Moldova: 8 August 2006: Moldcell Plans US$55-mil. Five-
Year Investment). However, general manager Yusuf Baykan has indicated that the company's profit over the last two years has
enabled the investment package. In 2006 Moldcell generated revenue of 570.3 million leu (US$45.9 million). Moldcell is
99% owned by Fintur holdings BV, and at the end of 2006 had 448,000 subscribers, a market share of 34.5%.

Significance: Moldcell's annual subscriber growth rate of 14.6% in 2006 was eclipsed by the country's leading operator Voxel, which
recorded 36.4% growth, taking its subscriber numbers to 914,000. With new mobile services to be launched this year by both GSM
operator Evotis and fixed-line incumbent Moldtelecom, as a CDMA operator, competition is likely to increase, and Moldcell will find it
difficult to generate stronger growth.

Telecoms

Russia: Comstar and MGTS Collaborate on Wi-Fi Coin-Box Network

(Wed 25 Apr 2007) - Regional CIS operator Comstar UTS and Moscow fixed-line incumbent MGTS have announced that they are
joining forces to unleash a network of 200 Wi-Fi pay-phones across the Russian capital. The coin-boxes will be installed in train
stations, airports and hotels, and can be paid for via pre-paid cards, SMS authorisations or MGTS phone cards. Comstar holds a
66.88% stake in MGTS, and last year made a number of attempts to gain full control of the operator.

Significance: The plans for Wi-Fi payphones are an innovative step in Comstar's expansion of its Wi-Fi network. The operator is
exploring a variety of means of generating Wi-Fi subscriber uptake. To date, this year it has launched Wi-Fi on the Moscow Metro
underground system, Wi-Fi targeted at corporate clients and, only this week, a Moscow WLAN roaming agreement for Wi-Fi users,
with Multiregional Transit Telecom (MTT; see Russia: 1 March 2007: Comstar Targets Corporate Sector with Wi-Fi Phone
Networks; Russia: 9 March 2007: Comstar Launches Wi-Fi Network on Moscow Metro and Russia: 23 April 2007: Comstar
Announces WLAN Roaming Agreement with MTT and Further Consolidation). These measures are indicative of the potential it
places upon wireless broadband in Moscow.

Telecoms

Ukraine: First 1% Stake in Ukrtelecom Goes on Sale

(Wed 25 Apr 2007) - The privatisation of Ukrtelecom looks set to begin, as the country’s State Property Fund has placed a 1% stake in
the operator for sale on the Ukrainian Stock Exchange, reports Ukrainian News. An auction for the stake is scheduled for 8 June. Five
1.00% stakes are to be sold in the coming months, followed by a 37.68% stake in August-December, leaving the government with a
50% plus one share stake.

Significance: The messy privatisation of the fixed-line incumbent rumbles along, in the face of widespread domestic criticism. The
move to sell only small stakes in the operator is being interpreted in some sections of the Ukrainian press as an attempt to put pressure on President Viktor Yushchenko, who has long been at loggerheads with Prime Minister Viktor Yanukovych on the issue. The sale of 1% stakes certainly seems unlikely to attract major international investment needed by both the operator and the country.

**Europe**

**Telecoms**

**Bulgaria: BTC Provides US$167 mil. in Financing for Vivatel**

(Wed 25 Apr 2007) – Bulgaria’s fixed-line incumbent BTC is planning to provide 240 million levs (US$167 million) in financing to its mobile unit, Vivatel. The move and the method of financing will be approved at the general shareholders meeting on 16 June.

**Significance:** BTC injected 213 million levs in Vivatel in 2005 and a further 210 million levs last year. Vivatel, which was launched in November 2007, is targeting an 11-13% market share by the end of this year, from the 6.7% market share it captured in 2006. The colco registered 700,000 customers at end-2006 (see **Bulgaria: 2 February 2007: Vivatel Aims for 13% Market Share by End-2007**). Thor Bjorgolfsson’s investment fund, Novator, which currently owns a 65% stake in BTC, is planning to sell the option to buy 65% of BTC. Two potential buyers have so far emerged, including Dubai-based Oger Telecom and Turkey’s Turkcell (see **Bulgaria: 12 April 2007: Oger Telecom, Turkcell Lead in Tender for BTC**).

**Telecoms**

**Europe: Tele2 Posts 22% Rise in Q1 EBITDA, Russian Operations Outperform**

(Wed 25 Apr 2007) – The Swedish telecoms operator, Tele2, which has operations in 22 European markets, has posted its financial results for the first quarter of 2007. According to the announcement, it reported a below-forecast 22% year-on-year (y/y) rise in earnings before interest, taxes, depreciation and amortisation (EBITDA) to 1.49 billion Swedish krona (US$219.8 million) for the quarter ending on 31 March 2007. With regards to the total revenue figure, this grew to 12.84 billion krona (US$1.90 billion) while the growth of its subscriber base was rather disappointing with 281,000 new additions, well below its forecast of 626,000. Poor performance was witnessed in the fixed-line segment while subscribers in the broadband and mobile segments rose to 254,000 and 747,000, respectively. As reported by Tele2’s chief executive, Lars-Johan Jarneheim, the latter two segments accounted for 41% of revenue in the first quarter of 2007. Specifically for the Russian market, earnings rose to 297 million krona (US$43.90 million) from 22 million krona (US$3.25 million) in the first quarter of 2006.

**Significance:** Due to the poor financial performance recorded in some of the countries where Tele2 is present, Global Insight expects a withdrawal in the next few months. As organic growth was higher in the broadband and mobile sectors, the company will be concentrating on these services, taking into account the competition levels in each of its operating markets.

**Telecoms**

**Germany: Deutsche Telekom Ready For Compromise in T-Service Dispute**

(Wed 25 Apr 2007) – German incumbent Deutsche Telekom has proposed to drop its demand that workers that would be transferred to its new unit T-Service must work up to 100 hours longer without increased remuneration.

**Significance:** The German group expects to reach a compromise with the trade union, Verdi, after weeks of negotiations. Verdi has strongly opposed Deutsche Telekom's plans to transfer 50,000 of its employees—about a quarter of its 180,000 German workforce—to a new legally-separate unit, T-Service. According to the teleco’s previous terms, the affected workers would be requested to work extended hours at T-Service without increasing pay (see **Germany: 24 April 2007: International Trade Union Pushes Blackstone to Resolve Deutsche Telekom T-Service Dispute** and **Germany: 18 April 2007: Trade Union Rejects Deutsche Telekom’s Proposal For T-Services**).

**Telecoms**

**Poland: Tougher Competition Pushes TP Into 2.7% Q1 Revenue Decline**

(Wed 25 Apr 2007) – Poland’s leading telecoms group, Telekomunikacja Polska (TP), saw its revenues decline by 2.7% year-on-year (y/y) to 4.44 billion zloty in the first quarter of this year. Strong revenues from its mobile business and lower financial costs lifted TP's first-quarter net profit by 2.6% y/y to 518 million zloty, from 505 million zloty in the same period last year. Revenues in the mobile segment increased by 7.4% y/y to 1.86 billion zloty in the first quarter, while the fixed-line business suffered from a 9% y/y decline to 2.75 billion zloty on the back of strong competition. Mobile operations accounted for 53% of the group’s 784 million zloty first-quarter operating profit, against 26% of 877 million zloty in operating profit in the same period last year. Growth in broadband revenues slowed sequentially at 4.9% y/y to 300 million zloty, compared to an 8.7% y/y growth in the fourth quarter last year.

**Significance:** The strong performance of TP’s mobile operations continued to offset declining fixed-line sales as people switch to mobile services. Its mobile unit, Orange, boosted its customer base by 22.7% y/y to 12.78 million and targets 13.5 million customers by end-2007. In the broadband segment, TP faces growing competition from alternative providers following the recent market deregulation of the wholesale line rental, bitstream access and local loop unbundling segments (see **Poland: 3 April 2007: Polish Regulator Fines TP US$348,000 for Restricting Bitstream Access**). TP, which is 47.5%-owned by France Telecom, is currently preparing its medium-term strategy for 2008-2010, which will be announced in July (see **Poland: 6 March 2007: TP to Announce New Strategy in Q3 2007**).

**Telecoms**

**Poland: GTS Energis Targets 15,000 Broadband Customers By End-2007**

(Wed 25 Apr 2007) – Poland’s alternative telco, GTS Energis, is targeting between 10,000-15,000 broadband customers by the end of this year. The company currently has 4,000 broadband subscribers and is aiming for earnings before interest, tax, depreciation and amortisation (EBITDA) of 80 million zloty, which would represent a 12% year-on-year (y/y) increase on 2006. GTS Energis increased its revenues by 4% quarter-on-quarter (q/q) to 98 million zloty, while EBITDA reached 21 million zloty, up by 23.5% sequentially, against 17 million zloty in the fourth quarter last year.

**Significance:** Global Insight anticipates that GTS Energis is likely to benefit from the recent deregulation of the Polish telecoms market. The company was one of six alternative telcos that have signed a resale agreement for bitstream broadband services with incumbent TP. It enables GTS Energis to compete directly against the incumbent in the residential and business broadband market segment (see **Poland: 31 January 2007: GTS Energis Launches WLR-Based Offer for Business Customers**). Poland: 8 November 2006: **GTS Energis Launches ADSL Offer to Rival TP** and **Poland: 13 September 2006: GTS Energis Plans to Enter
**Residential Market**. GTS Energis is part of GTS Central Europe, which is owned by the Russian conglomerate, Menatep. Menatep has been getting ready for the sale of its Central and Eastern telecoms assets.

## Latin America and Caribbean

**Telecoms**

### Brazil: Pay-TV Sector Records 18% Growth in 2006 in Brazil

(Weed 25 Apr 2007) - As reported by Brazilian news agency Agência Estado, the national pay-TV sector recorded gross sales of 5.5 billion Brazilian reais (US$2.7 billion) in 2006, showing an increase of 18% year-on-year (y/y). More specifically, at the end of 2006 operators counted 1.2 million broadband access subscriptions, which corresponds with 89% growth. At the same time, pay-TV customers grew by 15% to 4.7 million, considerably higher than the growth rate reported in the previous two years. According to the announcement, 84% of sales came from pay-TV service, with a significantly lower 11% deriving from broadband access service. The remaining 5% relates to pay-per-view, connection charges, and secondary services.

**Significance:** Pay-TV subscriptions have been on the rise over the last few years mainly because of the enriched portfolio of services on offer and the economic stability that characterises the Brazilian market. Taking into account that one pay-TV subscription covers an average of four inhabitants, the total number of customers who enjoy the service can be up to 20 million. Global Insight expects further development of the service, particularly after the March entrance to the game of incumbent operator Telefónica (see Brazil: 8 March 2007: Telefónica Authorised to Offer DTH Service).

## Middle East and North Africa

**Telecoms**

### Egypt: Vodafone Signs Deal with Kamera for Mobile TV Launch in Q2 2007

(Weed 25 Apr 2007) - Vodafone Egypt is offering mobile TV through a deal with mobile content supplier Kamera.

**Significance:** Vodafone Egypt won its 3G licence in January this year (see Egypt: 23 January 2007: Vodafone Egypt Pays US$586 mil. for 3G Licence) and is maximising revenue-making opportunities over its 3G network. The content provider, Kamera, will provide channels, which will include news, entertainment and sport. Henrik Eklund, chief executive officer (CEO) of Kamera, said, “...The mobile phone usage in the pan-Arabic region is booming and we look forward to bringing quality content to Vodafone's customers”. The new service offering will help Vodafone compete in the mobile data market specifically with Etisalat, which also won a 3G licence (see Egypt: 5 July 2006: Etisalat Wins Third Egyptian Mobile Licence with US$2.9 bil. Bid). Both operators are looking to maintain and build ARPU levels through offering such value-added services.

### Qatar: Qtel Buys Majority Stake in Burraq Telecom for US$12.3 mil.

(Weed 25 Apr 2007) - Qtel and Saudi Arabia’s A.A.Turki Corp. have agreed to purchase a majority stake in Pakistani wireless internet broadband provider Burraq Telecom for US$12.3 million, pending regulatory approval.

**Significance:** Gulf Cooperation Council (GCC) mobile operators are seeking investment in growth markets outside their region as penetration levels are close to—or exceed—100% in their domestic market; the deal with Burraq reflects this. Qtel has recently bought a 51% stake in Wataniya, which grants it access to its growth markets in Africa (see Kuwait: 5 March 2007: Qtel Buys 51% of Wataniya for US$3.72 bil.). Burraq Telecom has set up a long-distance and international transmission network solution, which will enable its customers to make low-cost calls. Qtel faces further competition in its domestic market as the regulator has recently announced it will be accepting expressions of interests for a second mobile licence later this year (see Qatar: 24 April 2007: ICT Invites Proposals for 2nd Mobile Auction in Q3 2007).

### Qatar: Indian Operators Quick to Show Interest in Qatar Mobile Licence

(Weed 25 Apr 2007) - Since Qatar's Information, Communications and Technology (ICT) regulator announced it was proposing to offer a new mobile licence in the country (see Qatar: 24 April 2007: ICT Invites Proposals for 2nd Mobile Auction in Q3 2007), three Indian operators—Indian telecom majors Reliance Communications and Mahanagar Telephone Nigam Ltd (MTNL) and Bharti Airtel—have expressed interest in Qatar.

**Significance:** The three operators recently lost out for the Saudi Mobile Licence (see Saudi Arabia: 26 February: Bids Come In for Saudi Cellular Licence). Reliance communications lost its bid for mobile licences in Saudi Arabia and fixed-line licence in Bahrain as well as other licences outside the GCC. MTNL, which recently lost the bid to acquire both mobile and fixed-line licences in Saudi Arabia in the very first stages of the auction, will need to produce a more robust proposal at least to make it to further stages. Although all three operators show interest in the region, the Qatar market conditions do not show the same growth potential as the Saudi market. Mobile penetration in Saudi Arabia is 76%, and in Qatar it is 92.6%. However, the new operator in the Qatari market will benefit from the country’s economic growth and high GDP per capita of US$29,400.

## United Arab Emirates

**Telecoms**

### United Arab Emirates: du Extends Number Portability Deadline

(Weed 25 Apr 2007) - du has extended its number portability deadline until the end of May 2007, which will allow Etisalat subscribers to switch to its network while simultaneously keeping their existing phone number.

**Significance:** The latest announcement is one of many since its launch in an attempt to acquire new customers within the United Arab Emirates. The new entrant faces a tough challenge to win over new subscribers as mobile-penetration levels are already at 120%, with Etisalat, the incumbent, having already holding the majority of this. du’s chief executive officer, Osman Sultan, said, “We are giving a second chance to those who did not subscribe, and we will be retaining their numbers up to the end of May”. The number portability option is one of many schemes the operator will have to use to acquire new customers.

**NAFTA**

**Telecoms**

© 2007 Global Insight. All rights reserved. Thursday, April 26, 2007. Page 5 of 7.
United States: AT&T Doubles Q1 Net Profits on Synergies from Recent Takeovers

(Wed 25 Apr 2007) – The United States’ largest telecoms group, AT&T, nearly doubled its first-quarter net income to US$2.85 billion, helped by recent mergers with BellSouth, which gave the company full control of its mobile operation, Cingular Wireless. Merger costs stood at US$2 billion, including expenses related to the US$86-billion purchase of BellSouth. First-quarter revenues rose by 84% year-on-year to US$28.97 billion, up from US$15.76 billion a year earlier (excluding the results from the merged companies). Excluding BellSouth, the group’s fixed-line revenue totalled US$18 billion up on the same period last year. However, including BellSouth for comparison, it was down by 3.2%. Net income was also boosted by cuts in marketing, network, and administrative expenses in its first quarter. Cingular Wireless added 1.2 million customers to AT&T’s mobile operations, taking its wireless customer base to 62.2 million.

Significance: AT&T’s recent purchases created US$900 million in cost synergies in the first quarter, including US$300 million from its acquisition of BellSouth, while the AT&T-SBC merger contributed US$800 million in cost reductions. AT&T was formed following several acquisitions in recent years, after regional telecom companies SBC bought the old AT&T in 2005 and adopted its name, which was followed with the new AT&T’s acquisition of BellSouth in 2006 (see United States: 28 March 2007: BellSouth Merger Conditions Resolved—AT&T Reduces Wholesale Rates Unilaterally). The drop in its fixed-line revenues was due to the loss of 285,000 fixed-line consumer losses across its regional operations as users continued to drop landlines and switch to mobile services. AT&T has started to roll out its premium IP TV service, branded “U-verse”, which currently has 20,000 subscribers, up from 18,000 at the end of March and 3,000 at the end of December 2006. AT&T expects to benefit from accelerated broadband and video growth in the future (see United States: 2 April 2007: AT&T California Video Franchise Approved and United States: 29 March 2007: AT&T’s U-Verse Breaks 10,000 Subs).

Telecoms

United States: Quad-Cities Online to Deploy 4G Network Using Nortel WiMAX Technology

(Wed 25 Apr 2007) – ISP Quad-Cities Online (QCO) has announced its plans to deliver a high-speed network in the Quad Cities—Davenport, Bettendorf, Moline/East Moline, and Rock Island—using Nortel's WiMAX technology. According to the announcement by the publisher of Moline Dispatch Publishing Co, which owns the ISP, QCO has signed an agreement with Black Hawk College, in the state of Illinois, to gain access to its wireless spectrum needed for the 802.16e WiMAX network deployment.

Significance: This new network will offer high broadband capabilities to its service areas and cover applications such as VoIP and real-time multimedia communication. In addition, it gives the opportunity to ISP customers to gain wireless access to the internet on the go. There has been a series of WiMAX network launches recently across the United States. Although the majority of them present a limited coverage area, Sprint has announced its plans for the roll-out of an almost nationwide WiMAX network by end-2008 in an attempt to gain grounds and increase revenues through investment in innovative services (see United States: 10 January 2007: Sprint Performance Still Below Par, Looks to Future with WiMAX).

Telecoms

United States: Vocore Health Reaches the US$100-million Revenue Mark in 2006

(Wed 25 Apr 2007) – Pittsburgh-based Vocore has announced it reached the US$100-million revenue milestone in 2006. Vocore reports that it specialises in voice-directed work applications that talk people through their daily tasks, replacing traditional work lists and data-capture methods with personal voice dialogues.

Significance: Vocore saw rapid expansion outside North America during 2006, including Vocore Japan and operations in major European countries. In particular, the company's business in Europe represented one-third of its total activity, while the creation of Vocore Healthcare Systems has allowed it to expand its services portfolio into new, revenue-generating areas. According to the announcement, Vocore Europe grew its business by 20% in 2006, offering services to more than 50,000 end-users.

Sub-Saharan Africa

Telecoms

Nigeria: NITEL Runs Up US$4 mil. in Unpaid Sat-3 Connectivity Bills

(Wed 25 Apr 2007) – NITEL, the fixed-line incumbent that was privatised last year, has reportedly run up a debt of some 500 million naira (US$4.072 million) with the international carrier Cable and Wireless (C&W), according to This Day newspaper. The debt is for unpaid IP connectivity services to the Sat-3/WASC cable; according to This Day, NITEL could be cut off at the end of April unless the bill is paid. Although NITEL is a co-owner of the cable and retains an exclusivity on access within Nigeria, in order to provide upstream international IP connectivity services it must interconnect with a Tier-1 provider such as C&W. A similar situation occurred last year in Zimbabwe, when Intelsat disconnected Tel*One for an unpaid debt of some US$720,000 (see Nigeria: 20 September 2006: Intelsat Disconnects Tel*One over Unpaid Bills, Cripples Internet). In that case the government paid the bill to restore the connection; in this case, now that NITEL has been privatised, its shareholders are Transcorp (51%) and the Nigerian government (49%). Transcorp paid US$500 million for the 51% stake in NITEL, and then launched an IPO in December, the proceeds of which were intended to repay some of the money borrowed to purchase this stake.

Significance: If NITEL is cut off, it will severely affect those Nigerian operators which rely on bandwidth through Sat-3 for their international connectivity. There are, however, many other Nigerian operators which provide international connectivity using satellite, and indeed these operators provide the majority of Nigeria’s international bandwidth. Meanwhile, the five-year exclusivity originally granted to owner-operators of Sat-3 in 2002 is now due to expire, two years ago the Ministry had proposed excising Sat-3 from NITEL until that was halted in case it jeopardised the privatisation of NITEL (see Nigeria: 7 December 2005: NITEL Obtains Court Injunction to Halt Privatisation over Sat-3 Ownership), and second national operator Globacom recently announced that it had concluded arrangements for its planned Glo-1 submarine cable from Lagos to the United Kingdom (see Nigeria: 8 March 2007: Globacom Confirms Glo-1 Submarine Cable Project).

World and Regions

Telecoms

Europe: Tele2 Posts 22% Rise in Q1 EBITDA, Russian Operations Outperform

(Wed 25 Apr 2007) – The Swedish telecoms operator, Tele2, which has operations in 22 European markets, has posted its financial results for the first quarter of 2007. According to the announcement, it reported a below-forecast 22% year-on-year (y/y) rise in earnings before interest, taxes, depreciation and amortisation (EBITDA) to 1.49 billion Swedish krona (US$219.8 million) for the
quarter ending on 31 March 2007. With regards to the total revenue figure, this grew to 12.84 billion krona (US$1.90 billion) while the growth of its subscriber base was rather disappointing with 281,000 new additions, well below its forecast of 626,000. Poor performance was witnessed in the fixed-line segment while subscribers in the broadband and mobile segments rose to 254,000 and 747,000, respectively. As reported by Tele2's chief executive, Lars-Johan Jarneheimer, the latter two segments accounted for 41% of revenue in the first quarter of 2007. Specifically for the Russian market, earnings rose to 297 million krona (US$43.90 million) from 22 million krona (US$3.25 million) in the first quarter of 2006.

**Significance:** Due to the poor financial performance recorded in some of the countries where Tele2 is present, Global Insight expects a withdrawal in the next few months. As organic growth was higher in the broadband and mobile sectors, the company will be concentrating on these services, taking into account the competition levels in each of its operating markets.

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**Telecoms**

**World: Millicom Records 94% Subscriber Increase for Q1**

( Wed 25 Apr 2007) - Luxembourg-based telecoms operator Millicom, with presence in 16 African, Asian, and Latin American countries and a combined population under licence of approximately 280 million, has announced its end-March 2007 financial and operational results. According to the announcement, Millicom has experienced a significant 94% year-on-year (y/y) increase in its subscriber base for the first three months of 2007, bringing it to 16.5 million, while revenues reached US$563 million, showing an 86% rise. EBITDA (earnings before interest, taxes, depreciation, and amortisation) rose by 74% y/y to US$248 million for the same period, whereas net profit for the first quarter grew to US$345 million. Capital expenditure was US$183 million with a projected year figure of US$800 million. Regarding the traffic recorded over Millicom operations' networks, this rose by 96% y/y for the three months ended 31 March 2007. In particular, prepaid minutes increased by 95% within the same period.

**Significance:** Millicom's significant subscriber growth in the first quarter of 2007—with approximately 1.6 million new users—and the introduction of per-second billing in its Central American operations have been of major importance to the company's operational performance for the first quarter. Although the switch to the new billing mode was expected to cause a decrease to the total revenue figure, it had little effect as an increase by roughly 25% in traffic compensated for the tariff reduction. The exit from Pakistan with the completion of the sale of its 88.86% stake in Paktel Limited to China Mobile Communications Corporation in February 2007 contributed by US$258 million to the company's net gain for the first quarter. Given this positive performance, Global Insight expects further expansion of innovative services, network updates, introduction of the Tigo brand and per-second billing to additional markets, and strong subscriber growth for the rest of the year.