



MESSAGE FROM THE SPONSOR

3G goes ahead in China

More than US\$40 billion is expected to be invested in China's 3G networks, says ZTE general manager Xu Ming **PAGE 2**

NEWS IN BRIEF

SPECTRUM

900-MHz in spotlight

This year could see an amendment to the GSM Directive, while Lord Carter puts a rocket under the UK operators **PAGE 3**

MOBILE WORLD CONGRESS

Show business

The mobile industry heads to Barcelona next week where mobile broadband networks and services will be high on the agenda **PAGE 3**

HSPA

Growth for HSPA

Latest updates on HSPA subscriber, network and devices numbers from the Global mobile Suppliers Association **PAGE 3**

DEVICES

Dongles get a makeover

O2 gets dotty over dongles as it partners with a fashion designer for a new-look device. We ask: what could possibly be next? **PAGE 3**

ANALYSIS: TRAFFIC GROWTH

Byting hard

A new index provides some projections for mobile data traffic growth over the coming five years

MUCH HAS BEEN TALKED ABOUT THE extraordinary growth of mobile broadband take-up in the past 12 months, not least in terms of how much extra data traffic the flat-rate dongle-based and handset services have been creating on mobile operator networks.

Cisco has been closely documenting the impact of bandwidth-guzzling applications on fixed networks for years and is now doing the same for mobile networks. Clearly the IP networking company's efforts to show mobile operators what they are in for are far from altruistic, but its projections are nevertheless interesting and provide a warning about the potential challenges mobile networks will face.

To coincide with the Mobile World Congress, Cisco published its Visual Networking Index (VNI) Global Mobile Data Traffic Forecast Update in February. In the report the company said mobile data traffic will double globally every year until 2013, increasing 66 times between 2008 and 2013. In terms of file sizes, mobile data traffic is forecast to increase at a CAGR of 131% between 2008 and 2013 to more than 2 exabytes per month by 2013.

An exabyte, for those that would like to know, is 1 billion gigabytes; 1,000 petabytes; 250 million DVDs, says Cisco. There's no doubt that is a lot of data for networks to support.

Cisco also notes that by 2013 almost 64% of the world's mobile traffic will be video: the company predicts that mobile video will grow at a CAGR of 150% between 2008 and 2013: "Mobile video has the highest growth rate of any application category measured within the Cisco VNI Forecast at this time," it adds.

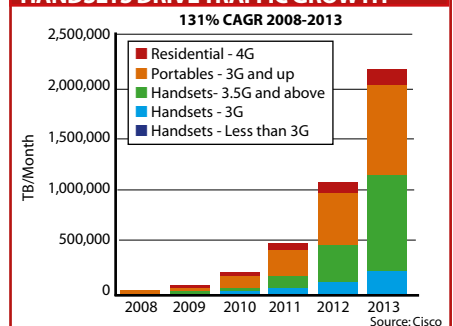
The importance of mobile broadband as a driver of all this growth is highlighted in the report: "Mobile broadband handsets with higher than 3G speeds and laptop aircards will drive over 80% of global mobile traffic by 2013," Cisco says. "A single high-end phone like the iPhone/BlackBerry generates more data traffic than 30 basic-feature cell phones. A laptop aircard generates more data traffic than 450 basic-feature cell phones."

For mobile operators dealing with this type of traffic explosion, investment in backhaul will of course be crucial for them to cope in future.

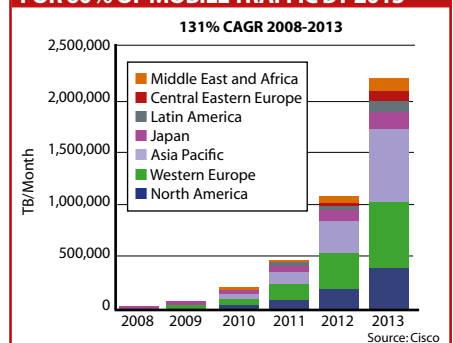
On a regional level, Cisco expects Western Europe and APAC will account for over 60% of global mobile data traffic in 2013. Western Europe will have the most mobile video traffic of all regions by then: Mobile video will account for 73% of mobile data traffic in this region. Latin America, meanwhile, will have the strongest growth of any region at 166% CAGR, followed by Asia Pacific at 146%. ■

Anne Morris

LAPTOPS AND MOBILE BROADBAND HANDSETS DRIVE TRAFFIC GROWTH



WESTERN EUROPE/APAC WILL ACCOUNT FOR 60% OF MOBILE TRAFFIC BY 2013



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Mr. Xu Ming, GM of the Wireless Product Management Division, ZTE Corporation



WE ARE pleased to see that China's MIIT issued 3G licences last month in such an economic environment. It's expected that over US\$40 billion is to be invested in China's 3G construction, which will surely cheer up the whole industry.

ZTE saw fast and healthy growth in 2008, and we see a better future. We are dedicated to providing cost-effective, innovative and low TCO solutions to our customers, leading us to deploy a Unified Platform R&D strategy in RAN and CN. This allows our customers to pay less for more. On the Unified Platform, the operator will have more choices from GSM, UMTS, cdma2000, TD-SCDMA, and LTE. SDR makes a smooth evolution a reality by enabling software upgrades. We expect to lower TCO by 40-50% for our customers with SDR.

We liken mobile broadband to the highway and customised services to the vehicles that run along it. That's why we have to lead both on HSPA+ and innovative SDR products. When we successfully reached 21 Mbps by 64QAM in China and Hong Kong, we knew the highway was ready. Of course the subscribers pay more attention to the services and qualities that will drive the technology revolution.

For LTE, we offer an open roadmap for our customers. We have benefited from our cooperation with operators in Asia, Europe and Latin America where people are more concerned about sustainable development and resources reservation. A flexible and green TCO solution best matches customer demands. Convergence is a trend for both fixed and mobile telecoms. Only a system that is simple, open and reliable will win in future.

ZTE will be in booth 8B127 in Hall 8 and the Hospitality Suite CY13+14. Please visit us at Mobile World Congress.

ANALYSIS: MARKET FORECASTS

Getting connected

New figures published ahead of Mobile World Congress provide a bullish picture for mobile broadband take-up particularly in Europe

AS THE MOBILE TELECOMS INDUSTRY packs its bags in readiness for the annual shindig otherwise known as the Mobile World Congress in Barcelona, analysts and vendors have taken the opportunity to issue some projections about the future development of the mobile broadband market.

In an overview of what the key themes will be at MWC, Strand Consult is in bullish mood about mobile broadband and believes the success of the service to date will be underscored at the event.

"This year we will learn that mobile broadband is not just a regional success, it is a global success and the number of customers that are purchasing a mobile broadband connection daily is exploding," the company says. "Mobile broadband is the fastest growing product in mobile history! Today, mobile broadband has become many people's primary broadband connection and on many markets customers are migrating away from DSL products and over to mobile broadband products."

Some firm figures for the European market are provided courtesy of Analysys Mason principal analyst Matt Hatton, whose main focus is on the mobile broadband market. Hatton is also pretty bullish about the development of the mobile broadband market over the next five years and forecasts that connections will increase "from a virtual standing start in 2007...to almost 150 million connections, generating €23 billion by 2014". The number of connections in Europe at the end of 2008 is estimated at around 25 million.

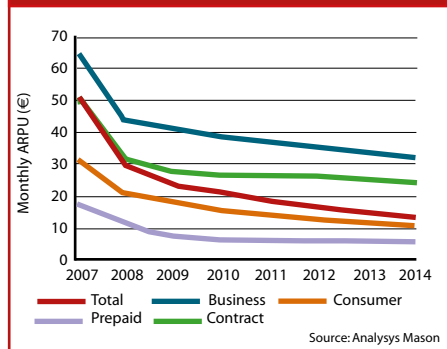
An interesting observation is that by 2014 mobile will account for almost half of all broadband connections in the region, increasing by a compound annual growth rate (CAGR) of 83%, compared to just a 4% CAGR for DSL/cable connections. By then, Hatton says mobile broadband services will account for 6% of telecoms services revenue. But he warns that there are some over-exuberant claims that mobile broadband will cause a terminal decline in fixed-line connections: "The majority of subscribers will continue to enjoy mobile broadband as a complement to a DSL or cable connection," he says in the report.

As the majority of users are also expected to be casual and low-spending, this combined with lower prices will cause substantial reductions in monthly average revenue per user, the report also says. ARPU will decline by 54% between 2008 and 2014, from €30 to €14.

This is where a focus on business users makes a lot of sense for mobile operators as they generate a lot more ARPU than consumers: "Business users will generate an ARPU of €32 per month, almost three times the €11/month of their consumer equivalents. In 2007, 75% of all mobile broadband revenue was generated by business users. By 2014 that figure will be 31%," the report says.

Hatton notes that the vast majority of growth will be consumer rather than business: "In 2008, 35% of mobile broadband connections across Europe will be categorised as for business. By 2014 that will fall to 13%." Business subscribers are set to grow from 9 million to 19 million over the period, while consumer subscribers will leap from 16 million to 129 million, the report says. ■ *Anne Morris*

MOBILE BROADBAND ARPU IN EUROPE 2007-2014



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SPECTRUM

900-MHz spectrum debate heats up

This year could see an amendment to the GSM Directive, while Lord Carter puts a rocket under the UK operators

SPECTRUM HAS always been a thorny topic for the mobile industry. Latest discussions over 900-megahertz frequencies are proving just as problematic.

This frequency band is currently assigned to GSM networks in Europe, but now mobile operators want to be able to reassign the spectrum to support the build-out of mobile broadband services.

According to the Global mobile Suppliers Association, 900-MHz would allow the same coverage with 2 to 3 times fewer sites compared with networks using 2100 MHz. Countries are now pressing hard for an amendment to the GSM Directive at European Union level this year.

In the UK meanwhile, reports say communications minister Lord Carter

has called the five mobile operators to a meeting to thrash out how the 900-MHz spectrum might be shared in order to achieve his goal of broadband for all. Current owners of the spectrum Vodafone and O2 are clearly reluctant to give it up without compensation. A rapid resolution of the issue seems unlikely. ■

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MOBILE WORLD CONGRESS

Show business

A lot of people will be going to MWC in the hope of getting some clarification about the business case for and evolution of MBB

FOR THOSE OF you going to Barcelona next week, there should be some interesting discussions about the future evolution of mobile broadband networks and, it's to be hoped, some new product and service announcements.

On the conference agenda, the first keynote on Wednesday morning will discuss how to define the evolution path of mobile broadband. The second keynote of the morning will look at the types of services that will likely run over such networks.

Later on Wednesday there is a presentation that should be of interest for all those still pondering the future business case for mobile broadband. "The Economics of Mobile Broadband: Three Reasons to be Hopeful" sounds like it may strike a positive note! Also in the session there will be a discussion about pricing strategies in different regions and the challenge of pricing new services and applications.

See you in Barcelona! ■

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HSPA

Steady growth for HSPA

Latest update on HSPA subscribers, networks and devices from the Global mobile Suppliers Association

THE NUMBER OF global subscribers to high-speed packet access services stood at 82.8 million globally at the end of Q3 2008, according to the latest figures from the Global mobile Suppliers Association.

The association also said there are now 247 commercial HSPA networks in 110 countries, of which 34% are now capable of downlink speeds of up to 7.2 megabits per second. Around 69%

are capable of 3.6 Mbps or higher. The number of commercial HSUPA networks is now said to be 66.

In terms of devices, around 1,276 HSDPA-enabled devices are now available on the market, and 192 with HSUPA capability for faster uplink.

The HSDPA devices are a mix of handsets, dongles, modems, notebooks and routers. ■

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DEVICES

Dongles get a makeover

O2 shows its frivolous side

WITH THE Mobile World Congress just round the corner, there's no doubt we're going to see a few new variations on mobile form factors very soon.


Whether the latest offering from O2 will set any kind of precedent is yet to be determined, although teaming with fashion houses and designers has long

been a favoured strategy of phone makers. This month the UK mobile operator came out with a "polka dot" dongle, in collaboration with Henry Holland under his House of Holland label.

Will we get laptops and netbooks to match, is the question all fashionistas will want to ask. ■

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Learn more about how Alcatel-Lucent is building on its extensive experience in high-growth markets plus its broadband market leadership to help telecom operators in high-growth markets transform their broadband business.

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