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Americas conference promotes GSM as the future for Latin America

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Introduction

The GSM Americas conference - an amalgamation of GSM in North America and GSM in Latin America - was held in Rio de Janeiro 6-7 December 2000 and was attended by approximately 450 delegates from 28 countries. It was the first time that the two Americas conferences had been held jointly, a development which reflects the poor historical attendance for GSM in North America, a trend which was also evident in the low numbers of North American operators present in Rio de Janeiro (📍).

The bias towards Latin America was reflected in the presentations given over the two days, with no more than three being specifically directed to North America. These were joined by several other speakers who failed to focus on one region in particular and talked instead about general matters, relating them to the major issues brought up during the conference rather than specific countries.

Latin America

The conference began with what amounted to a welcome to the GSM world, headed by Rob Conway, CEO of the GSM Association. This was followed by a more detailed look at both North and South America by Juan Carlos Jil, Director of International Business, Entel PCS & Chairman, GSM South America; and Mike Woolfrey of EMC. Here operators and countries which already employ GSM networks were set out by the speakers.

With the background in place, the conference was subsequently dominated by the potential for GSM development in Latin America, especially after the confirmation (earlier this year 📍) by Anatel, Brazil's regulator, that 1800MHz spectrum will be reserved for PCS services. Though Anatel did not specify that GSM was to be employed exclusively in Brazil, it appears that both operators and manufacturers are keen to utilise this technology.

Anatel's decision to opt for 1800MHz and the subsequent widespread advocacy for GSM holds great importance for the wider picture. It was mooted that this move could open the floodgates for the development of GSM throughout the continent, given that Brazil is such a dominant market in the region. Rob Conway, CEO of the GSM Association, described Anatel's decision as a watershed event.


Juan Carlos Jil provided details of those countries in which GSM networks which had been recently announced (Paraguay, Colombia, Brazil, Cuba and Jamaica) and also indicated possible newcomers to the GSM world (Uruguay, Guatemala, Honduras and Ecuador). GSM South America expects to have live GSM networks in almost every country in the region by the end of 2001 and this optimism gave fuel to a positive feeling for the future of GSM in Latin America.

In the light of this mood, it appears that the conference was used by delegates to network and build contacts in order to aid future development of the market, as well as an opportunity to ascertain the latest developments. Vendors and manufacturers were all keen to express how they were committing to Latin America, especially Brazil, and offered their services to Latin American operators both on the exhibition stands and in some of the presentations.

The attraction of GSM

Whilst it was acknowledged that work has to be done, and money has to be invested, for GSM services to take off in Latin America, the future was seen in a positive light. The benefits of GSM were highlighted early on with Rob Conway, Juan Carlos Jil and Dave Lasier (TWS, USA) all stressing the advantages which could be gained from promoting GSM.

GSM was advocated as one of the leading technologies available for operators, with its major advantage being the ability to roam in 161 countries around the world. The example of Europe was used to demonstrate the benefits available to subscribers, who can roam easily anywhere in that continent, and operators, for whom roaming offers increased revenues. It was stressed that roaming is a major selling point for the technology.

Further advantages discussed included SMS, with its phenomenal usage in Europe being used as evidence (12 billion a month at present, source: GSM Association), and WAP, a key service in the convergence of wireless technology and the internet. The uptake of GSM also brings with it entry to the 'GSM family', which encompasses GSM, GPRS, EDGE, 3GSM (UMTS) and W-CDMA, a fact which offers rich potential for the future. Furthermore, the large-scale adoption of GSM has brought advantageous economies of scale, which in turn has brought a wide choice of well-priced handsets. (VAS review, ).

The strength of GSM was underlined by the fact that the GSM Association is a global organisation with 384 million subscribers at the end of September 2000 (Source: EMC World Cellular Database), with half a

billion subscribers predicted by the Association for mid 2001. The total membership figure (of companies) stands at 503 (as of 6 December 2000).

The immediate future

Operators were encouraged to take up GSM technology quickly in order to gain a niche in the market. Dave Lasier argued that the opportunity offered by GSM would allow Latin America to catch Europe up much more quickly than would otherwise be the case. State-of-the-art wireless data technology will be incorporated into existing networks from the beginning, giving countries such as Brazil access to 3G services in the shortest possible time. For Brazil in particular, heavy interest in the announcement of licences and the expected high investment in infrastructure, means that GSM services will be rapidly offered to the population.

In order to reinforce the ability of operators to provide comprehensive coverage, the GSM Association argued for an additional 5MHz of spectrum in the 900MHz band, in addition to the 30MHz on offer in the 1800MHz frequency range. If Anatel were to grant this request, the implementation of GSM services would be improved from the start and there would be a level playing field for competition (in the deployment of 2G and 3G services) due to increased cost efficiency. Spectrum in the 900MHz frequency band would also afford easier coverage of rural areas and smaller cities, as less power is needed to provide services than if a network is exclusively 1800MHz.

Further news announced at the conference was that William Nazaret is to take over from Juan Carlos Jil as the Chair of GSM South America.

Entering the market

The potential for GSM in Latin America has certainly been seen by European operators and manufacturers. There is currently a trend whereby these companies are exporting their expertise and personnel to Latin America in order to further the development of GSM in this part of the world. EMC spoke to several European employees who had come over to Brazil in the period running up to the conference who are due to be based in the region for several years.

As far as entering the market itself (Brazil was used as a specific example), three clear strategies were outlined. The first is to bid for and purchase a licence so that operations can be launched in the relevant country. The second was to buy an existing operator, and thus enter the market with a customer base already established. The third was to wait for a year, and then make a move aimed at buying out a struggling operator, who would find themselves in such

a state of affairs due to a failing business plan (if they had purchased a licence), or falling market share and profits (due to increased competition).

The large European manufacturers are also basing themselves in Latin America. This is a move designed to reduce costs, and is also a sign that they are looking at a long term strategy for the market. So far, Ericsson (🇺🇸), Nokia (🇺🇸), Siemens (🇺🇸) and Motorola (🇺🇸) have all confirmed plans to move infrastructure and terminal production to Brazil, whilst Lucent (who have a newly constructed manufacturing site at Campinas) and Nortel will only produce infrastructure. (Infrastructure and terminals review, 🇺🇸).

Case studies

Entel PCS, Chile

Entel PCS launched GSM-1900 services on 3 March 1998 and have since grown from being their country's third ranked operator, to being number one, according to the company. The operator stated that GSM was chosen for two reasons: the wide selection of value added services available and the fact that GSM afforded them a technological novelty when compared to their competitors.

Entel PCS initiated a simple set of two tariffs (Economic and Super Economic) aimed at high-end subscribers after having prepared the ground well for the launch date of 3 March 1998. Since then, Entel PCS has developed a lower churn rate than all of its competitors, explaining this as being chiefly due to the technological difference in services offered. It has also introduced mobile commerce, with a total of 80 vending machines in Santiago now releasing drinks after receiving a handset-initiated transaction.

The Chilean company strongly supports Anatel's decision to adopt GSM in Brazil and sees it as an important development for the Latin America.

Digitel, Venezuela

Digitel launched their GSM-900 network in September 1999 and captured 10% of the market within 12 months. The operator is aiming for a market share of 30% by September 2001. Digitel operates in the central and eastern regions of the country, but these areas cover approximately 80% of Venezuela's GDP.

Digitel stressed the importance of speed of product introduction, explaining that this is especially so if you are a new entrant bringing a new technology to market. What is also apparent is that an operator needs to have a plan of operations and a good marketing strategy. Digitel could claim both of these,

being able to establish itself well in its first year of operation and spending \$10 million on advertising - whilst its competitors have spent ten times that amount.

ICMS, Suriname

ICMS launched their GSM-900 network in May 2000 after drawing up a business case in close collaboration with KPN of The Netherlands. Roaming was agreed to be the key element and the basis on which ICMS would be able to maximise revenue. This is due to the fact that whilst Suriname has a population of 450,000, approximately 300,000 Surinamese live in The Netherlands and frequently travel to their native country. This business case has led to beneficial roaming agreements with operators in both Belgium and The Netherlands.

Despite the solidity of its business plan, ICMS has encountered problems which have arisen from introducing a new technology. Staff re-training, availability of handsets, technical support from vendors and planning for a long-term transition to 3GSM have all been factors which the operator has had to face up to.

ICMS is planning to introduce GPRS to the market in 2003, reach 95% population coverage (from 60% coverage in Q4 2000) by 2002 and introduce the mobile internet in 2001/2.

NuevaTel, Bolivia

NuevaTel gave a case study regarding GSM rural service strategies, the problems for which are low to negative profitability, difficulty of access, low population density and high investment and maintenance costs.

The presentation began with a look at the rural telecommunications policies of the Bolivian and Peruvian governments with regard to fixed telephony. In both cases operators were obliged to provide each settlement with one voice terminal. Funds were available to aid rural projects.

When it comes to planning wireless communications in rural areas, NuevaTel identified the following key areas:

- Regulatory terms - obligations, availability of policies and terms and concessions
- Identification of the market - major settlements and transport routes
- Surveys of existing infrastructure and needs - transmission options, power facilities and access infrastructure
- Technical viability - BSS planning

- Economic viability - cost-benefit analysis and identifying the minimum profitable population density.

NuevaTel concluded that rural coverage can be profitable with settlements with populations of 5,000-10,000 so long as they are:

- Near main transport routes
- Have local industry or agricultural establishments
- Are tourist centres
- Already have a good supply of electricity.

TIM Peru, Peru

TIM Peru is expecting to launch its GSM-1900 network 'very soon' (the launch was originally scheduled for December 2000) and stated that expectation was very high. It is not unreasonable to assume that TIM Peru could achieve similar success to that which has been enjoyed by Entel PCS in Chile.

The operator expects prepaid to account for a significant proportion (up to 90%) of its subscriber base, which suggests that, unlike Entel PCS, they will not be aiming solely at high-end users during the immediate period after they launch. TIM Peru is also an example of a European operator bringing their GSM expertise to the Americas.

Conclusion

From the opening address to the close of the conference, the focus fell upon the potential for GSM in Latin America. Brazil's decision to promote 1800MHz spectrum for PCS is deemed to have important long-term effects for the region. With licence awards occurring in the near future, Brazil is attracting a lot of attention. Elsewhere in the continent, it is suspected that almost all other countries in Latin America which have not made a move towards GSM will do so in the next 12-18 months. Given this, very little attention was given to North America during the conference.