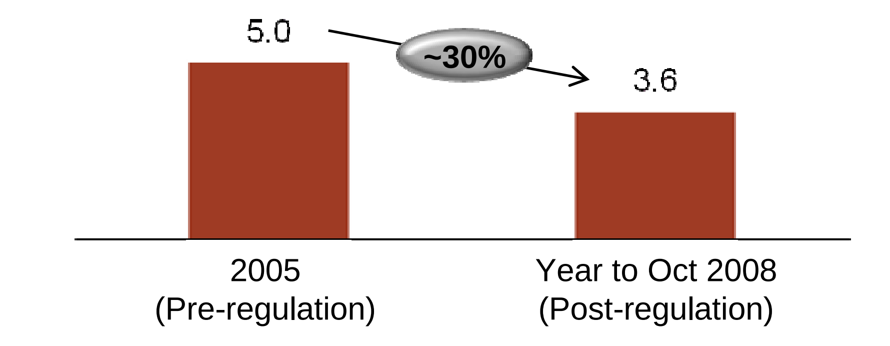
Mobile Roaming Services in Latin America

GSMA Perspective on Roaming Regulation

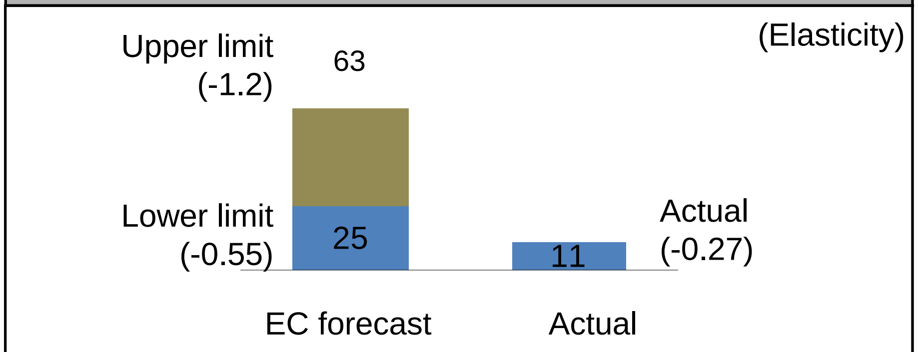
IIRSA Workshop
Bogota, Colombia
7 November 2008

European roaming regulation has significant impact on industry

Retail Voice Roaming Market Size
(Retail revenues, € million)



EC Forecast Vs Actual Percentage Increase in Minutes
(Q2 2008 Vs Q2 2007)



Outcomes of EU Voice Roaming Regulation

The market was competitive before the introduction of regulation, and remains so

- Outbound roaming prices fell by 20% in the year up to July 2007, before regulation was imposed
- In Q1 2008, almost 40% of all roaming calls were made on non-Eurotariff price plans - these subscribers are paying 15% less than those on the Eurotariff
- Competition from other forms of communication remains fierce (local sims, etc)

The aggregate impact of regulation on industry and consumers has been damaging

- €1.4 billion in lost revenues since 2005, which has not been offset by increases in traffic volume
- Industry spent at least an estimated €150m to implement regulatory requirements
- This has taken resources away from roaming product development and tariff innovation
- Prices for other mobile services are increasing
- Financial pressures are putting investments at risk

Increases in volume much less than predicted by the EC and hence did not offset price reductions – roaming revenues have declined significantly

Source: Operator interviews, confidential operator data, A.T. Kearney analysis

Regulation has not been uniformly adopted in Arab World as it would hinder market development

GSMA Arab World Market Review

- Roaming market is small and developing
- Roaming traffic growth of only around 2% from 2006 to 2007
- Uptake of roaming services is mainly by business customers
- Ongoing investment is required to further develop the market
- Competitive forces are shaping the market, improving prices (incl. removing outliers), transparency and route availability

GSMA Impact Assessment of Proposed Price Regulation

- Retail roaming revenue would decrease by estimated 35%
- Surplus would accrue to price insensitive business users
- Some operators would be worse-off than others, with market heterogeneity leafing to regional imbalances
- Investment may suffer, which is still critical to develop both national and roaming markets
- Competition and innovation in roaming tariffs are likely to suffer
- Prices for other mobile services would have to increase

Outcomes of Regulatory Review

- Half of the Ministers attending the Council rejected the proposed tariff formula
- Resolution is not binding at national level
- Gulf Countries Council and Arab League have adopted different tariff formulae
- Countries not in agreement will seek compromise solution with operators
- Due to lack of a common legal framework, a patchwork of regulation has been proposed

Result: DISTORTION

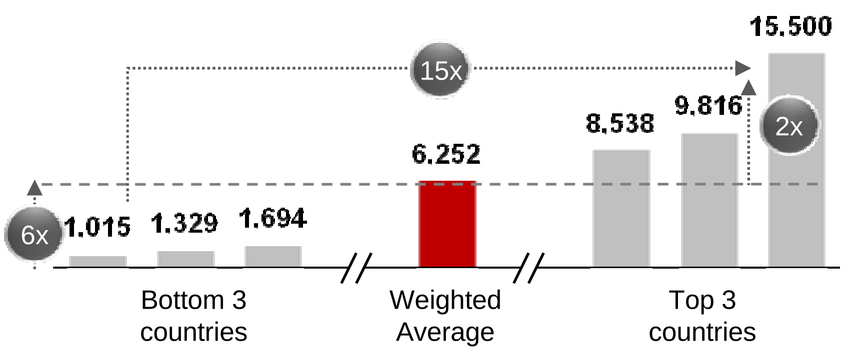
Many ministers from the regulatory council felt the proposed roaming price caps would hinder the market's development

The Latin American roaming market is very different to more developed markets such as the EU

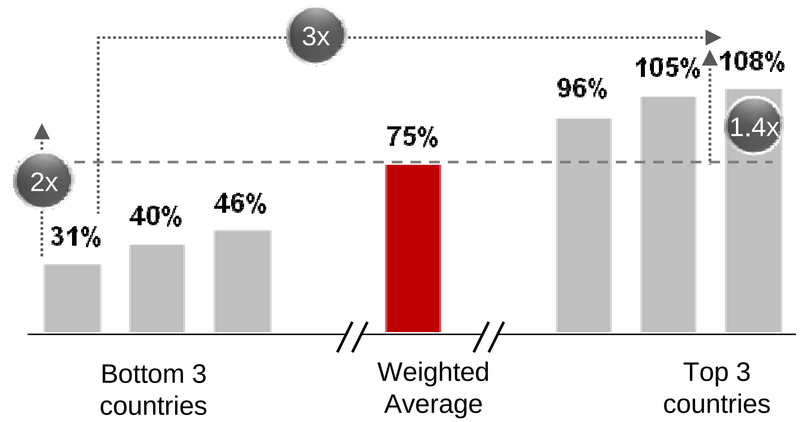
Latin America	Factor	Europe
Very low ($6K)	**GDP / capita**	High ($34K)
Very low	**Economic integration**	High
Low (28/sq.km)	**Population Density**	High (115/sq.km)
Developing destination	**Tourism / Business**	Number 1 global destination
3%	**Intraregional travel by population**	42%
Medium (67%)	**Mobile penetration**	High (112%)
National	**Legal & Regulatory Framework**	Common across EU

Latin American countries are at highly diverse stages of economic development, as well as mobile market maturity

GDP per Capita
(USD million, nominal, 2007)



Mobile Penetration Rates(1)
(Percentage, Q2 2008)



Other Economic Indicators

- GDP CAGR (04-07) between 5% and 28%
- Recorded unemployment between 3% and 15%
- Population growth between 0% and 3% p.a.

Other Mobile Telecoms Indicators

- Subscription growth rates (year on year) between -3% and 66%(2)
- Average revenue per user per month between 1 & 13 EUR(3)
- Population density between 9 and 337 (population per km2)

Note: (1) Mobile penetration figures are based on the number of SIMs as a proportion of the total population. (2) Based on Q2 2008, total connections, (3) Based on Q1 2008, ARPU blended EUR, spot currency Q1 2008

Source: Convergencia 2008, Wireless Intelligence 2008

South American roaming market should be allowed to continue to develop unhindered

Key takeaways

The market is young and emerging

- Roaming is a developing market, mainly used by business customers
- Only 3% of the population travel abroad
- Under current economic crisis, volume of travel is likely to decline

South America is different to other roaming markets

- Low GDP/ capita and limited regional economic integration constrain roaming traffic
- Highly diverse region in terms of economic conditions and mobile market development
- Lack of cohesive regulatory and legal framework

The market faces some challenges…

- Taxation and ILD are major cost components of roaming services
- Pre-paid roaming requires high investment and resources
- Many players are involved in the end-to-end service delivery chain

…but industry is taking the lead

- Industry continuously investing in a range of projects to rollout and improve roaming services and infrastructure
- Pricing innovation and transparency initiatives are propelling the market forward

Thank you

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