

TALE OF TWO CITIES

October 2002 saw UMTS/Mobile Internet show in Paris and the GSM Association's plenary session in Istanbul. 3G Solutions for Operators attended both events to gauge the mood of operators and vendors

Paris in the mood for 3G

With the exception of the 3GSM Congress when the mobile industry gathers in strength at Cannes, recent European conferences have failed to attract delegates in anything like the numbers that were seen in the boom years. But though the audiences may be smaller, the cut and thrust of the debate on many conference platforms has been given added zest by the divergence of opinions over the prospects for future mobile services.

However, while some analysts and investors may have been unconvinced about 3G, the industry itself has remained largely confident about its future. At this year's UMTS/Mobile Internet 2002 event held in Paris during October there were further encouraging signs that this optimism will be vindicated, as speaker after speaker acknowledged that the question was not one of if, but rather when, 3G will happen.

The more positive tone can be explained in part by the impending launch of the first 3G networks, which will be coming onstream towards the end of this year or early in 2003. A sign of the commercial activity building around 3G came in the form of an update on the UK's Isle of Man 3G trial one year on. Manx Telecom managing director Chris Hall reported that the company had started billing customers for services from August, having provided them free of charge up to that point.

The pricing structure needed to be simple, explained Hall, so Manx is pricing 3G voice at the same rate as GSM voice, and has a simple table of charges for data services. Current monthly rates range from a consumer tariff of £25 (US$40) including an allowance of 25Mb of data, to a business rate of £80 (US$125) with a 100Mb data allowance.

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'Pricing is probably the most important part of 3G,' Hall told delegates at the UMTS conference. 'Generally people felt our prices were a little excessive, but that's not a bad problem in the early days,' he confessed. As a next step, during the first half of 2003 the company plans to investigate quality of service pricing.

Customers are apparently taking well to the services. 'The speed impresses people,' says Hall. With data rates initially running at 384kbps, he reckons it feels like 'mobile ADSL', and using WAP 2.1 for information retrieval over 3G is 'like WAP was meant to be.'

The person-to-person real-time video service is proving popular, although Hall believes it will probably remain a niche market. The company is also very excited about M-Casino (a mobile gambling service called MGM Mirage on the island), and the Look-See remote video surveillance application, as potential drivers of 3G take up. Manx Telecom has also experienced a new level of customer relationship management with 3G, the always-on service meaning that customers can get in at any time of day.

Hall believes that visiting MNCs have already identified 3G as an important part of their future enterprise data strategies. On viewing the 3G facility at the beginning of 2002, a representative from the UK's Communications Managers Association commented: 'Seeing 3G functioning has enabled me to make a judgement of its ability as a useful business tool. We can more realistically consider this as part of our overall communications strategy.'

Applications of the kind being piloted by Manx Telecom were the focus for other multimedia solutions providers at the Mobile Internet conference sessions. Emblaze's UK managing director Allen Scott began his presentation with a demonstration of streaming video on a Nokia 7650 mobile device. Scott was guardedly optimistic, predicting 3G will take off between 2003 and 2007 and noting that no less than 40 new rich media terminals will hit the market in the next 12 to 18 months. 'We are currently in a pre-market stage with 3G,' he said, suggesting that when all three elements come together – terminals, networks and infrastructure services – the stage will be set for a market premier.

One of the more compelling cases for commercial 3G services at the conference came from Akihisa Fujita, president and CEO of D2 Communications, a joint venture between NTT DoCoMo, Dentsu – the world's largest advertising company – and NTT AD. Fujita described his company's success in running mobile advertising campaigns for major Japanese ▶

customers, and talked about the huge potential for 3G services.

'In practical terms, the ARPU of DoCoMo is extremely high and shows the vast revenue of mobile internet as well as the possibility of mobile content business that connects to 3G,' he told the audience. Fujita said his company has its own plans for providing advertising services over 3G: 'Based on the 3G infrastructure, D2 will begin to exploit the moving image as a marketing tool,' he said.

Elsewhere delegates were still concerned by the gap between the financial analysts' perspective on the industry and that of the industry players themselves. Many investors still need to be reassured about 3G, and Ulf Jonströmer of Swedish venture capital company Brainheart Capital was one example. He was questioned on the subject when he told delegates in Paris: 'We are being very cautious about investment in 3G. We thought it would take too much time to take off.'

However, recognising the need for investors to better understand the industry, Jonströmer conceded that there was a need for venture capital companies to have more industrial expertise in their teams. Despite his misgivings, Jonströmer's company is already investing heavily in next generation wireless solutions. As the biggest investor worldwide in WLANs, Brainheart is backing the technology as a complementary solution to 3G, rather than a competitor, said Jonströmer.

Accenture's Richard Siber also identified 3G and WLAN interoperability as an opportunity for operators to extend their wireless broadband offering. He identified five key areas that operators needed to manage successfully to launch and operate a 3G business. These were the IP architecture; applications and content developed in an 'open market environment'; targeting, acquiring and developing the right customers; maximising revenues across available technologies; and reducing the financial burden by changing business models.

Other speakers stressed the importance of 3G getting off to a good start. Kieren Moynihan, co-founder and CEO of service management specialist, Comnitel, compared UMTS to a Formula One car: extremely fast but at a price. 'Users could expect superior service quality levels in line with the premium cost,' he said. But he warned that a growing maturity in user understanding of mobile multimedia services would lead to a greater expectation of service quality in UMTS.

It was a view echoed by Rémi Thomas, director of the UMTS network project at Orange, who maintained that: 'For a commercially successful opening, UMTS networks will have to be superior to GSM networks from day one.'

Orange France will launch its UMTS commercial service at the beginning of 2004, said Thomas, offering all of the services currently available over GSM/GPRS, with the addition of videophone, videostreaming, and download of video clips. Packet switched services will offer a 144kbps uplink and a 384kbps downlink. At launch the network will cover 30 per cent of the French population, including major cities. And UMTS service will be available to 98 per cent of the population by 2009.

With these timeframes in mind, many speakers at the conference also reiterated the view that current technologies such as GPRS still have enormous potential. But almost without exception they believed that while 2.5G technology is defining some of the applications and services that 3G will ultimately offer, it also strengthens the case for 3G and raises users expectations in a way that only third generation technology can fulfil.

Doing the boardroom drive

At the GSM Association's October plenary meeting in Istanbul, a landmark decision saw the world's leading wireless operators agree to co-operate at boardroom level on future developments and services.

Major groups such as Vodafone, NTT DoCoMo, China Mobile and AT&T Wireless lined up behind the proposal which will see the world's 12 largest operator groups unite to agree commercial priorities for accelerated implementation on global wireless platforms. Frustrated by the delays in the implementation of new services seamlessly and globally – particularly complex data services – operator CEOs agreed on the need to get involved to deliver direction and guidance from the very top.

As a result, a new 21-member operator CEO Board will work together to provide the GSM and UMTS community with greater guidance and clarity and to speak on behalf of the 500+ GSM operators globally. Importantly, the world's top 12 operators by subscriber count – a group that is crucial to the delivery of global platforms – will all be represented in the new body.

'These decisions are about greater alignment at boardroom level in terms of direction and commitment to the delivery of common global

platforms,' said GSM Association CEO, Rob Conway.

'GSM owes its global success to its original founding principles of alignment and co-operation between the leading players of the time. That founding alignment has held steady for simple voice and data services as GSM has proliferated all around the world,' said Conway, 'but as the complexity has risen, so has the scope for fragmentation.

'Now, as we prepare for the introduction of 3G services, it is vital that we get back to our roots and blaze – from the very top – a 3G path that others can follow.'

Lucent's Neil Lilly attended the plenary in Istanbul and he welcomed the guiding principles being set by the operators: 'This is a bold step,' he said. 'The operators are acting to give clear guidance and direction to the supplier community – be it infrastructure, handsets or applications.

'We will know, with greater clarity, exactly what our customers are uniformly expecting and demanding of a global 3G platform. That can only help to speed development and deployment.'

The move by the association and the GSM operators is seen in many circles as a specific response to the delays in implementing 3G services based on the W-CDMA standard for UMTS.

Proponents of the CDMA 2000 technology such as the CDG (CDMA Development Group) argue that their 3G standard – known as 1X – offers all the advantages of 3G today and can be delivered at a lower investment cost.

But the picture isn't quite that black and white as Lilly explained: 'It's true that CDMA 1X can be available quickly – indeed Lucent has successfully and speedily implemented 1X for a number of operators including Telecom New Zealand (see feature page 4).

'But that speed is achieved because Lucent is able to upgrade current CDMA networks to 3G systems using 1X technology without wholesale changes to the base station infrastructure – and not every vendor can do that.

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Furthermore the core CDMA network and its 1X variant share the same frequency band which considerably eases the upgrade path.'

According to Lilly, the starting point for the GSM community is rather different: 'For the GSM community, moving to 3G involves new radio spectrum and new core technology whatever path they choose – it's a completely different situation with its own unique set of challenges,' he explained. 'Therefore, the world's GSM operators elected to use a different version of CDMA, a wideband version that operates at a higher frequency and offers enormous potential as a broadband wireless service.

'In addition, you have to add into the mix that one of the great attractions of GSM is the ability to roam seamlessly around the world. And a huge number of the 750 million GSM customers have become accustomed to this service and want that to be instantly available on their 3G service. In turn, that demands a 3G handset and service that can switch between 3G and GSM as the customer travels. The added complexity quickly becomes apparent,' he outlined.

Indeed, that complex need for dual mode handsets is one of the factors behind Lucent's advocacy of 3G data solutions for the corporate and enterprise market. Here the use of 3G cards within laptop PCs and other handheld data devices can open up new market opportunities for 3G networks that are not wireless handset reliant.

But whatever path an operator chooses to take to 3G services, and from whatever starting point, there is an obvious need for expert partners and clear direction. In this respect, Lucent's expertise in the deployment of CDMA-based technology and its data centric strategy is increasingly winning respect and recognition.

'In Europe,' said Lilly, 'our W-CDMA trials and our enterprise solutions are progressing well. Meanwhile, our 1X installations in countries like New Zealand and Brazil are a big success.

'Ultimately, as a vendor, we will supply what the market demands. But the global alignment that was promised by the leading GSM operators in Istanbul holds out the prospect of a clarity of direction and a clear path to the future that should speed the delivery of all shades of 3G services globally.' ■