

Tariff Outlook October 2008

Message from the editor

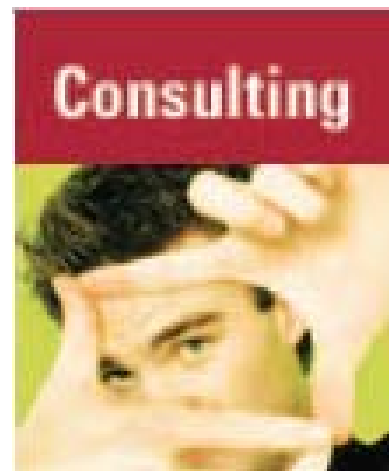
Welcome to Tariff Outlook, a monthly newsletter brought to you by Teligen, the tariff and price benchmarking experts. We are delighted to confirm that with the acquisition of Teligen by Strategy Analytics, we will be able to expand our coverage and analysis of key tariff developments on a global basis.

To make sure that Tariff Outlook is still relevant to your needs and to comply with relevant regulations, we do need to ask you to reconfirm your interest in continuing to receive this complimentary newsletter. Registration is fast and simple and should take only a minute of your time.

By registering as a guest of Strategy Analytics you will enjoy the additional benefits of:

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This Week's Top Stories...

- Austria - T-Mobile Launches Asus EeePC with Mobile Data Tariff
- Spain - New Mobile Flat Rates for Telefónica
- Qatar – Qtel Cuts Its Mobile Broadband Rates By 90 Percent
- UK – Virgin Offers New Mobile Broadband
- UK - Tesco Mobile is flexible
- UK – New 3 Tariff Drops on-net Termination Charges
- Finland - Sonera Provides Families with a Broadband Service for Home and Travel
- Ireland - Irish Operators Announce New Tariff Bundles

Now to this issue of Tariff Outlook in which we report several developments in the UK market: a new flexible SIM-Only tariff from MVNO Tesco, a mobile broadband offering from Virgin and a new plan from 3 for customers who make most of their calls within its network. Elsewhere we have stories about a new mobile broadband offer from T-Mobile in Austria and a “home and away” broadband package from Sonera in Finland. The proliferation of mobile broadband is currently creating a quandary for many operators who appear unsure of how they should be positioning these services to their customers. We therefore offer some thoughts about how we think mobile broadband may develop alongside traditional fixed DSL services. These are just some of the stories in this issue.

If these stories, or any others featured in our newsletter are of interest, further details of the tariffs and services can be found in our comprehensive subscription based databases, the T-Products. Go to: www.strategyanalytics.com/teligen.html for further details and request a copy of our demo CD. You will also notice that we have included a short case study looking at an example of Teligen's consultancy services – if you are interested in learning more about this, just click on the banner on the right.

Our continuing aim is to provide you with up to the minute pricing news and tariff developments. That being said, Tariff Outlook not only serves as an opportunity for us to communicate with you on a regular basis but equally for you to tell us what you think. As such, we would really appreciate any feedback you may have that will help us deliver a newsletter that provides you with real value.

Please feel free to contact us either to obtain further information about any particular story or to give us your feedback.

We look forward to hearing from you.

Angela Toal - Tariff Analyst

Tel: +44 (0) 20 8263 5342 Email: atoal@teligen.com

Need to benchmark prices between different markets and services?

Why not consider T-Basket, the industry recognised tool. T-Basket offers a unique insight into the price relationships between telecom services in OECD (Organisation for Economic Co-operation and Development) member countries. It uses basket methodologies that are OECD based and OECD-authorized, taking pricing information from the Teligen Master Tariff Database. It forms the basis of the official OECD price performance statistics. This unique tool uses proven methodologies to show you numerically and graphically whether an operator's prices are in line with those in the most competitive markets, the most industrialised markets, and those with close geographical or geopolitical proximity.

To find out more or to request a demonstration, http://www.teligen.com/t_basket.asp

Mobile

Austria - T-Mobile Launches Asus EeePC with Mobile Data Tariff

T-Mobile Austria is now offering customers a free Asus EeePC 901go laptop with its Fairclick mobile broadband package. The plan costs EUR 25 per month and includes a 10 GB data allowance. The laptop is HSPA enabled, offering internet access at 7.2 / 2 Mbps maximum download and upload speeds from any location.

Teligen Comment:

This replicates the current UK market trend for operators to mirror their subsidised or free handsets with mobile voice tariffs by offering laptops with mobile broadband plans. So far in the UK this is proving very successful in attracting new subscribers to mobile broadband.

Angela Toal - Tariff Analyst

Spain - New Mobile Flat Rates for Telefónica

Telefónica has decided to extend its Movistar offer with two new types of flat rate. The "Family Rate Plan", which will be available from 6th October, allows customers to group Movistar lines (contract or prepay) and one national fixed line on a single bill. Customers will have 500 voice minutes per month to communicate with other members of the family for EUR 3 per month.

Also available from 8th October are three flat rates with monthly fees of EUR 69, 99 or 159, with an allowance of minutes to any national destination. In addition, clients who subscribe to this plan before 31st October will have their monthly fee reduced to EUR 30 until 17th Jan 2009.

Teligen Comment:

These plans are aimed at families and customers that make intensive use of their mobiles. This is a good plan for families who often communicate with each other by mobile and want to be able to know in advance how much they are going to be charged on their monthly bill when they stick to their allowance.

Adriana Rodriguez - Senior Tariff Analyst

Qatar – Qtel Cuts Its Mobile Broadband Rates By 90 Percent.

Qtel, the incumbent operator in Qatar has announced a 90 percent reduction in additional data charges for its mobile broadband service. Qtel will continue to offer Lite, Plus and Max packages, offering different levels of data allowance with prices ranging from QR 100 to QR 300, but users will now pay QR 0.1 for every additional Megabyte downloaded over their inclusive level. The charges details will reflect on customers' monthly bill for out of bundle fees.

Teligen Comment:

Through the mobile broadband service and special data only SIM cards, users can access the internet in areas across Qatar at similar speeds to those enjoyed by customers on an ADSL broadband connection in the home. By reducing the out of bundle charges so significantly, Qtel will make internet on the move more accessible to its customers and also will remove their concerns about surfing beyond their data allowance.

Nacera Touileb – Consultant

UK – Virgin Offers New Mobile Broadband

Virgin has introduced a new mobile broadband contract that offers the consumer 3GB of data access in the UK every month. The packet costs GBP 15 per month. The minimum contract period is 18 months and there are no costs for the USB modem. If the user exceeds the 3GB, the out of the bundle rate is GBP 15/GB.

Virgin has also introduced another plan: "Fibre Optic + Mobile Broadband", which joins the Operator's XL fibre Optic Broadband service with Mobile Broadband. This offers an up to 20Mbps fixed broadband service with unlimited downloads, a Wireless Router and Mobile Broadband is free for the first 3 months. This package costs GBP 29 for the first 3 months and thereafter GBP 44 a month.

Teligen Comment:

Virgin has made a rather late entry to a fast-growing mobile broadband market. This proposition looks like a good way to come at the market from a slightly different direction. However, it isn't actually offering anything better than is already available. Comparing this new service with that offered by the other operators, customers can see that Virgin is as appealing as 3, but not as much as Vodafone who for the same monthly rental (GBP 15), offers both a faster speed (7.2 MBPS) than the Virgin one (3.6 MBPS), and a shorter contact duration (12 months and not 18). Virgin is almost just relying on people wanting bills from fewer operators. In view of the size of its cable broadband customer-base, this strategy could be successful even with a low conversion rate. It is after all still just an MVNO and therefore not really in a position to price this too aggressively as it needs to pay for wholesale capacity on T-Mobile's network.

Astrid Casali – Junior Tariff Analyst

UK - Tesco Mobile Is Flexible

Tesco Mobile has launched its first ever Pay Monthly SIM only tariff. Customers paying GBP 15 a month will receive bonus credit of GBP 45 giving them GBP 60 credit. Customers can also choose GBP 20 or GBP 25 tariffs which give customers more credit to spend. Customers will be able to use their credit as they want on calls, texts and browsing. Tesco Mobile also offers a prepay service. Customers are free to move between the prepay services and the new SIM only tariff. The same out of bundle charges apply to all tariffs along with half price calls and texts to five favourite numbers.

Teligen Comment:

With the new flexible tariffs Tesco Mobile wants to offer more flexible mobile services to its customers by giving them freedom when spending their credit. Allowing customers to swap between Pay Monthly and Pay as you go will also give them maximum control of their budget.

Yilmaz Bakay - Tariff Analyst

UK – New 3 Tariff Drops on-net Termination Charges

The UK mobile operator 3 has announced a new unlimited on-net tariff. Customers will be able to call and send unlimited texts to other 3 customers; they also receive a gigabyte of data, all for GBP 15 a month. This way customers do not have to pay the termination charge.

Teligen Comment:

It seems that with this action 3 is trying to restart the discussion about the mobile termination fee. Other mobile operators have claimed that by lowering or removing termination charges operators will be forced to charge customers for receiving off-net calls. 3 on the other hand has said that it will never come to that.

Jóhanna Helgadóttir - Senior Consultant

Broadband

Finland - Sonera Provides Families with a Broadband Service for Home and Travel

Sonera has introduced a new package of broadband service for families who need to access the Internet at home and during travel. The solution comprises a fixed broadband connection of up to 100 Mbps at home, a USB modem for wireless data transfer and calls and text messages between family members for one year without a separate charge. The cost of the service is EUR 39.90 per month and the customer will need to sign up for a 24-month agreement. The use of mobile broadband is charged according to the chosen data service, for example EUR 0.90 per hour or EUR 2.90 per day.

Teligen Comment:

Currently the mobile broadband market is dominated by offers pitching mobile as an alternative to fixed broadband. There are relatively few operators with fixed businesses who have worked out how to promote mobile broadband without undermining fixed broadband. This offer is a good attempt to position mobile alongside fixed, with the mobile part appealing to the majority of customers with modest usage requirements.

Telia and Telekom Austria are two examples of operators with similar fixed and mobile Broadband products. It is interesting that Telia & Telekom Austria operate in the two European markets seeing by far the strongest growth and amongst the lowest prices in mobile broadband. This has forced the fixed operators to respond with packages that don't compromise one offer in favour of the other. The Telekom Austria approach is similar in style to Sonera's offer (EUR 7.90 per month to add a 500MB mobile broadband allowance to a DSL package), while Telia has been more basic and just offers a discount to customers who take both fixed & mobile broadband.

In the UK O2 was late to the mobile broadband space. With its strong focus on building up its DSL business, it has been reluctant to be too aggressive on mobile broadband pricing. It's most recent offer gives a Standard DSL (up to 8 Mbps download speeds and an unlimited usage allowance) service free for 12 months to mobile broadband customers. In effect this gives consumers unlimited fixed and 3GB mobile broadband usage for EUR 25 (GBP 20) per month. However this is more an attempt to use its broadband services as a means to reduce customer churn: only O2 mobile customers can benefit from this bundle as only they are eligible to receive its mobile broadband service.

The release of this package is the result of Sonera's recent survey, which shows that 50% of Finns intend to buy a mobile broadband service and have a higher speed broadband access at home and expect to get high-speed Internet access available to them everywhere. Sonera has therefore obviously done its research in terms of consumer interest. It is trying to attract a more casual user with this offer - the type of person who likes the idea of mobile broadband but thinks EUR 20 (GBP 15) per month is expensive for something they will probably only use a few times each month. The UK is seeing growth in daily and weekly usage offers as an alternative to the 18 month contract, so there are some clear efforts by a growing number of operators to push this as far into the mass market as possible.

In the UK, prepaid offers are accounting for about 30% of all mobile broadband users, so there is definitely demand for the more casual proposition Sonera offers. It seems likely that most operators with both DSL and mobile products will move in this direction in the medium term. Generally operators are trying to remove any obstacles to customer adoption of mobile broadband. Lower prices is one approach, but also building a broader portfolio of tariff options which caters for everyone from the international business traveller (e.g. some of the Vodafone mobile broadband plans which include a data allowance while roaming) down to the casual consumer who would use mobile broadband if they could get away with paying for a few hours or days each month. Sonera's move can therefore be seen as part of a sophistication coming to mobile broadband pricing.

Casual usage tariffs and fixed/mobile combinations such as these are rare in the market today, but they will become the norm over the next 12-18 months. Other operators should probably look to what Sonera is doing - rather than adding a 3GB mobile broadband plan to a DSL or cable service for EUR 20 (GBP 15) per month they could look at what other consumer-friendly options they might have such as perhaps a 1GB plan or an hourly or daily offer. They will make their money from their fixed broadband service so they do not need to convince their customers that they all need a full 3GB 18 month product.

Catherine Arteaga - Tariff Analyst

Multiplay

Ireland - Irish Operators Announce New Tariff Bundles

Eircom and Meteor have announced new tariff bundles effective from 6th October. The new tariffs give Eircom customers free local and national calls together with broadband from EUR 9 per month. In addition the bundle offers free calls to any Meteor mobile customer from an Eircom landline. Meteor post-paid mobile customers will also benefit by getting free calls to any Eircom landline.

There are 6 new bundles in total. Three Eircom Family Bundles packages are targeted at customers who make calls at all times of the day, and three Eircom Friends Bundles for those who make most of their calls at evenings and weekend. These packages are offered for a promotional period of 6 months; however, customers who sign up during the promotional period will receive the bundled plan as a permanent offer.

Teligen Comment:

These new offerings are in response to increased customer demand for better value for money. Eircom customers recently saw their telephone bill increase by an average of 3.8% with the introduction of a new call set up charge, replacing the minimum fee charge. For Meteor subscribers the free anytime calls to landlines will compliment nicely its current offering of free evening and weekend calls.

Bernadette Finn - Associate Director

Want up-to-date tariff information at the touch of button?

T-World Total is the most advanced information system and calculation tool of its kind. It will answer your questions about tariffs, their structures and levels. It will allow you to compare prices among operators and countries in customisable list formats. In addition it has an in-built Analyser, with an integrated global location database. It allows the user to show price developments of a call with duration, or a circuit with distance and it also allows easy calculation of national distances and corresponding circuit prices. With so much to offer this makes T-World Total the only choice for your market intelligence needs.

To find out more or to request a demonstration, http://www.teligen.com/t_world_total.asp