

Inside Telecommunications

Quarterly talking points from Ernst & Young's
Global Telecommunications Center



July to September 2011

Welcome to the third edition of *Inside Telecommunications*, Ernst & Young's review of the most significant developments in the telecommunications sector each quarter. It has been a busy period for the industry, with plenty of news flow about new services, devices and regulatory proposals. In this issue, we delve into a number of hot topics, from the latest operator developments in cloud services to mobile application users' privacy concerns.

We hope you find this useful. Please do not hesitate to share your feedback with me or any of my colleagues at Ernst & Young.



Jonathan Dharmapalan
Global Telecommunications Leader

Foreword

The third quarter of 2011 has seen the sector evolve on a number of fronts. The battle between mobile technology specialists continues apace. Many eyes remain on regulatory announcements, whether in the context of merger approvals or spectrum auctions. Although deal activity has been muted compared to the preceding quarter, there have been a number of transactions – both in-market consolidation and moves into adjacent markets.

Once again, technology giants have been the source of many of the headlines sending ripples across the telecoms sector. In August, Google announced the \$12.5 billion acquisition of Motorola Mobility, intended to bolster its Android mobile operating system and associated patent portfolio. Many in the industry mused that this groundbreaking deal would compromise the openness of the Android system, yet Google underlined that it would run the US mobile device manufacturer as a separate business while continuing to engage vigorously with its existing device partners. Even so, the issue of mobile technology patents remains contentious following the sale of 6,000 of Nortel's patents to a consortium of some of the industry's largest players.

Elsewhere, fast-growing areas such as mobile payments have seen plenty of significant announcements. In September, Google launched Google Wallet (a near-field communication (NFC)-based application) in the US following trials in New York and San Francisco. Meanwhile, other industry players have plans of their own in place to take mobile payments forward. In August, Visa announced it would accelerate its migration to EMV (Europay, MasterCard and Visa) contact and contactless chip technology in the US, readying payment infrastructure for NFC services.

For their part, operators are under pressure to deliver more innovative services, particularly while technology heavyweights continue to innovate strongly in terms of the device experience.

Moreover, given the pockets of innovation expertise that exist within certain countries and operators' subsidiary businesses, organizational structures are liable to be adapted further. In September, Telefónica announced that it would create a new business unit headquartered in London – Telefónica Digital – to leverage growth opportunities in the sector. The new division will pool expertise in existing parts of Telefónica's business, such as Global Services, Tuenti, Jajah and Telefónica R+D. A concomitant move to globalize its business involves bringing Spanish operations into the European business, while the creation of a Global Resources operating unit is designed to unlock economies of scale.



Adrian Baschnonga
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Service innovation



Telecoms target cloud computing gains

The third quarter has seen plenty of announcements from operators regarding cloud service provision, from hosted communications and collaboration services to virtual infrastructure solutions. A raft of new services is being supported by acquisitions and investments – particularly in the data center market – which reveals how important physical assets are to the growth of new virtualization services.

Small- to medium-sized businesses (SMBs) are a customer segment seen as highly receptive to operator propositions. In August, SingTel launched a cloud-based business management solution with SAP, enabling SMBs to streamline and manage their sales, customer relationships, inventory and business processes via a range of devices.¹ In September, Verizon announced its computing-as-a-service offer for this market. Available to all organizations with up to 1,000 employees, it charges by the hour for a single virtual server with limited RAM and storage. In the UK, Virgin Media Business announced Virtual Private Data Centre (VPDC) for SMBs in September.²

SMBs are expected to act as early adopters for cloud-based unified communications and collaborations services, an area where

operators continue to make headway. In August, Japan's NTT Communications added a Unified Communications as a service (UCaaS) plan to its existing premises-based Arcstar solution. In September, US operator Sprint joined forces with Unified Communications specialist CallTower to launch Sprint Mobile Integration, offering central voice mail and mobile-to-corporate extension calling among other features.

In order to improve the value-add for businesses, vertical-specific solutions are making their presence felt. In September, Taiwan's Far EasTone introduced a cloud service for transportation companies that allows them to monitor vehicles remotely, thereby managing fuel reserves, limiting vehicle speeds and providing emergency assistance.³

Cloud services are also starting to make their presence felt in the consumer space. In September, UK incumbent BT launched a cloud-based gaming platform provided by US-based OnLive to its retail broadband customers. The service comes as part of a PlayPack subscription package – free for the first three months – which offers more than 100 games from more than 50 leading publishers.⁴

¹ "SingTel and SAP revolutionise business management for SMEs through the cloud," Singapore Government News, 23 August 2011, via Dow Jones Factiva.

² "Virgin Media Business aims to lure mid-sized firms with new cloud service," Computing.co.uk, 22 September 2011.

³ Far EasTone unveils cloud service for transportation firms," Taipei Times, 8 September 2011.

⁴ "OnLive and BT launch revolutionary cloud gaming," ENP Newswire, 22 September 2011.

Looking ahead, the prognosis for cloud services growth at large is broadly positive: Forrester Research forecasts growth from US\$40.7b globally in 2011 to more than US\$150b in 2015.⁵ Meanwhile, according to IDC, revenue from public IT cloud services will grow at almost four times the rate of the IT market as a whole between 2011 and 2015.⁶

Although customer concerns remain pronounced, particularly when it comes to areas such as data protection and compliance, the upside in terms of cost savings and improved organizational agility are well understood. Increased energy efficiency is another benefit: one forecast sees cloud computing leading to a 31% reduction in data energy consumption between 2010 and 2020.⁷

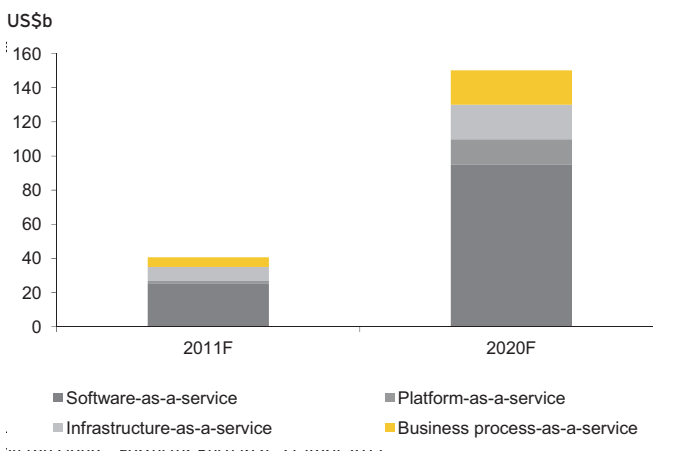
enable the delivery of value-added services in partnership with software-as-a-service (SaaS) providers. Combinations of location-based services, identity management and billing also pave the way for various types of bundle packages.

However, identifying appropriate niches in a rapidly widening cloud landscape is far from straightforward. In our study, *Beyond Connectivity: can telecoms operators offer new services to business customers?* published last year, issues around credibility with enterprise customers were brought to the surface. When asked whether they agreed with the statement, "Telecoms service providers should stick to their core business instead of trying to be all things to all people," 26% of respondents strongly agreed and a further 30% slightly agreed.⁹ Even so, industry watchers predict a solid role for operators as cloud service providers and providers of multiple cloud management. One recent forecast suggests telecoms will account for 11% of total global enterprise and public sector spend on cloud services by 2015.¹⁰

Quite how far telecoms should extend into the realm of IT-centric services provided via the cloud remains open to question. Clearly, legacy capabilities will partly determine the scope of moves into cloud service provision. Smaller cloud service portfolios may better reflect existing capabilities but could undermine margin management and customer ownership in the long term.

As a host of players from the technology and telecoms sectors look to deliver new services, either individually or via partnership, the need to differentiate is paramount. To this end, strategies that are sensitive to the needs of different verticals, or that rely on secure access or enhanced mobility as a unique selling point, could bolster operators' attempts to make the most of the cloud delivery model.

Figure 1: Global cloud computing market forecast⁸



Much is made of the role that operators can play as providers of cloud-based services. They possess some natural advantages when it comes to the delivery of infrastructure-as-a-service (IaaS) solutions: guaranteed bandwidth, both at a standalone and multi-carrier level, and security. Their legacy communications services also

⁵ "Sizing the cloud," Forrester Research, 21 April 2011.

⁶ "Worldwide and Regional IT Cloud Services 2011-2015," IDC press release, June 2011.

⁷ "Cloud computing could cut energy consumption by nearly one-third by 2010, According to Pike Research" Business Wire via Dow Jones Factiva, 20 September 2011.

⁸ "Sizing the cloud," Forrester Research, 21 April 2011.

⁹ "Beyond Connectivity: can telecoms operators offer new services to business customers?" Ernst & Young, June 2010; sample of 365 enterprise customers worldwide.

¹⁰ "Telco billing and cloud services: a multi-faceted business challenge," Innovation Observatory Opinions, September 2011.

The rise of mobile instant messaging as an SMS substitute

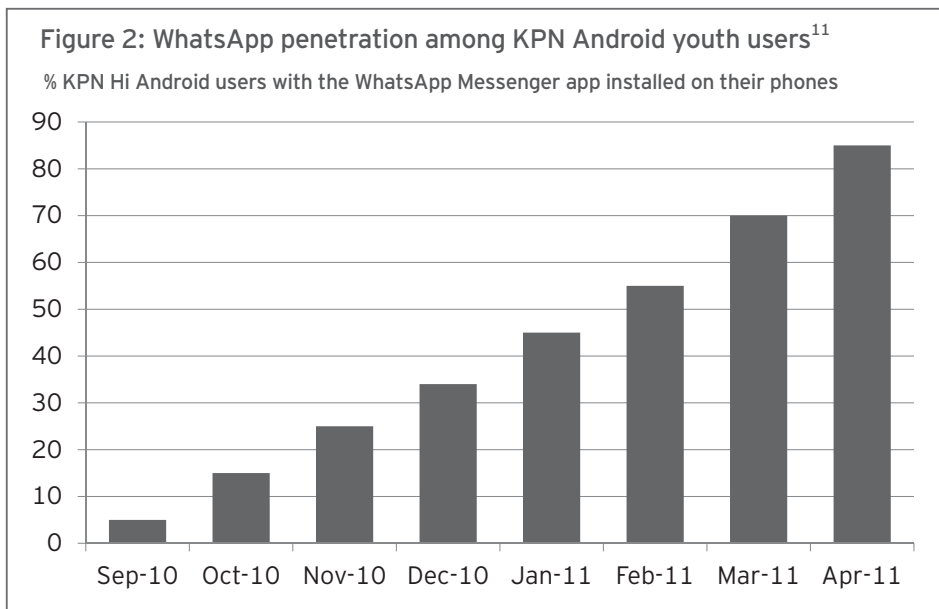
Talk of substitution in the telecoms sector is nothing new. From the advent of voice over IP (VoIP) to the minutes that continue to migrate from fixed to mobile telephony, the specter of revenue and usage cannibalization has long been present in the industry. However, in recent months, anxiety has been growing around the potential impact of mobile IM on text messaging services.

While the likes of BlackBerry Messenger are well established, mobile IM apps are seen as harbingers of new challenges for operators. Tied very closely to the explosive growth rates for smartphones, the likes of WhatsApp Messenger and KakaoTalk possess crucial advantages over previous mobile IM apps. For one, they work across smartphone operating systems, widening the addressable market. They also automatically scan devices to find contacts using the service, another feature that accelerates use. Already, data from operators shows that penetration of such services has reached a large majority of certain customer segments in a matter of months.

Nor is the threat posed by mobile IM a phenomenon apparent only in developed markets where smartphone penetration is high. At the end of Q2 2011, there were 523 million active mobile IM accounts in China, led by players such as Tencent, Fetion and Ali Wangwang.¹²

For many players, the rise of mobile IM has the potential to curtail their customers' "out of bundle" spend. In the light of the data explosion, many industry watchers suggested migration to packages sensitive to data usage. However, flat-rate packages clearly still have a role to play in terms of protecting legacy revenue streams such as messaging.

Even so, the challenge posed by IM to text messaging revenues is likely to remain pronounced. Although downloadable apps from start-ups have generated headlines in recent months, technology heavyweights are ramping up their IM efforts. In August, Samsung announced the launch of its own mobile messaging service, ChatON, following hot on the heels of Facebook Messenger, which was made available to Android and iPhone users a few weeks before.¹³



¹¹ "KPN Investor Day: Consumer Wireless," KPN press release, 10 May 2011.

¹² "China ends Q2 with 523 mln IM users," Telecompaper Asia, 18 August 2011 via Dow Jones Factiva.

¹³ "Samsung introduces ChatON mobile communication service," Samsung press release, 29 August 2011.

Technology



Operators detail mobile data offload strategies

Given the inexorable rise of mobile data, it is critical for carriers to communicate their data offload techniques. Many options exist, although WiFi offload is proving increasingly popular. Speaking at the Broadband World Forum in September, France Telecom revealed that it was using its existing network of WiFi access points – 7 million DSL boxes and 40,000 public WiFi hotspots in France – to offload mobile data.¹⁴ At the same event, Deutsche Telekom revealed that WiFi offload was ideal for fast-growing mobile data usage. Data from the Netherlands reveals that 45% of mobile use is at home, 45% at work, and only 10% derives from truly mobile behavior, such as walking, driving or taking public transportation.¹⁵

European operators' increasing reliance on WiFi offload follows moves by US operators to incorporate the concept. In 2010, AT&T launched a free WiFi zone to its customers in New York, while in May this year, Verizon Wireless announced that it would start using WiFi more, although it would retain its core networks focus.¹⁶ In July, KDDI announced

a new nation-wide WiFi access service – featuring the world's largest mobile data offload network, using products from Ruckus Wireless – that would scale up to 12,000 locations in Japan by mid-2012.¹⁷

Nevertheless, combinations of mobile and WiFi are not yet a seamless experience for the end-user. Smoother access to WiFi will act as a driver for use, further relieving congestion on mobile networks and taking advantage of the greater throughput available.

To improve the customer proposition, technology such as internet protocol security (IPsec) can be incorporated into devices, with password-free authentication acting as one route to a more convenient service. However, spectrum bands pose problems too: most smartphones are capable of using WiFi in the 2.4 GHz band, but not all operators hold WiFi assets in this band. Even once handover and spectrum issues are resolved, mobile backhaul strategies require careful evaluation.

¹⁴ Total Telecom "France Telecom outlines mobile offload strategy" 28th September 2011.

¹⁵ "Mobile phone data usage ripe for Wi-Fi offload," CNet, 28 September 2011.

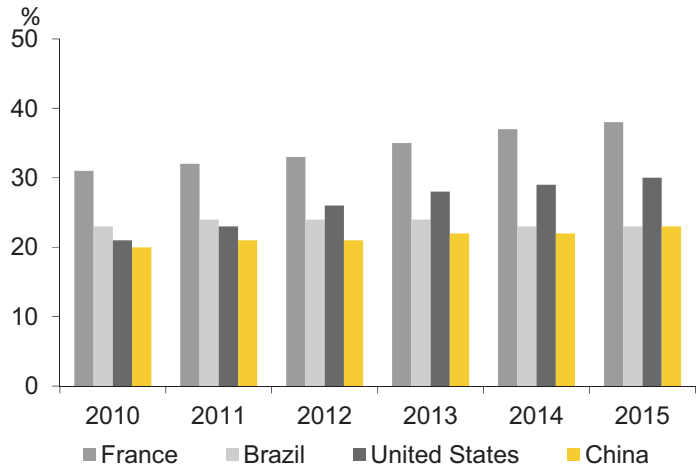
¹⁶ "Verizon to Offload Data Traffic with Wi-Fi Hotspots," IHS Global Insight Daily Analysis, 25 May 2011.

¹⁷ "KDDI and Ruckus Wireless Debut World's Largest Mobile Data Offload Network and First Nationwide Wi-Fi Access Service in Japan," Ruckus Wireless press release, 5 July 2011.

Operators detail mobile data offload strategies (continued)

Despite technical and strategic hurdles, the commercial benefits of offloading onto WiFi are clear, particularly when considering the higher media consumption generated by tablets as compared to smartphones. According to Cisco, the proportion of smartphone and tablet traffic offloaded worldwide is expected to rise from 31% in 2010 to 39% in 2015. This predicted increase comes despite expected declines in many developing markets, where more mature market scenarios involve a greater number of mobile-only users without home WiFi access.

Figure 3: Projected dual-mode and femtocell traffic offloads as a percentage of smartphone and tablet traffic¹⁸



Low-cost tablet reaches out to new user groups

Much has been made of the rise of tablet devices, which are helping to revolutionize the computing device market. However, the story does not end with its aspirational form factor, as shown by recent developments in India. Having put out a tender for the development of a low-cost tablet, the Indian government revealed a new device, known as Aakash and made by UK-based group DataWind, in early October.

Plans are underway to sell 100,000 units to students in secondary schools for US\$35 (INR1,750 as of 11 November 2011). The device's role in boosting e-learning forms

the principal mission statement – it will retail at US\$60 for interested consumers. The Aakash tablet puts existing e-education device initiatives in the shade. Back in 2006, the World Economic Development Forum backed the One Laptop per Child project, which sought to bring US\$100 laptops to children in developing markets. It would seem that device types – and prices – have altered since this ground-breaking initiative. Looking ahead, the Indian Government plans to increase production of the Aakash, bringing the cost down to US\$10 (INR500 as of 11 November 2011).

¹⁸ "Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update 2010-2015," Cisco press release, 1 February 2011.

Regulation



EU focuses on copper returns in bid to boost fiber investment

Against a backdrop of continuing economic uncertainty, the European Commission has tabled new proposals to boost fiber investment in the region. Addressing the ETNO-Financial Times 2011 CEO Summit, Vice President of the European Commission (EC) responsible for the Digital Agenda, Neelie Kroes, announced two public consultations: the first on nondiscriminatory access for new entrants and the second on how best to calculate wholesale access prices.¹⁹ Both consultations are open to operators, consumer groups, national regulators and other interested parties until 28 November 2011.

As part of the proposals, Kroes outlined that pricing for “largely depreciated” copper broadband networks could be lowered, positioning this as an incentive for faster incumbent investment in and migration to fiber broadband infrastructure. The European Commission’s plans could see incumbents that choose to invest in fiber networks gaining exemption from additional regulations on their copper networks. For its part, the EU plans to pump EUR6.4b into the creation of new broadband infrastructure, in the form of equity, debt or guarantees.

News of revisions to copper access pricing has been met with dismay by

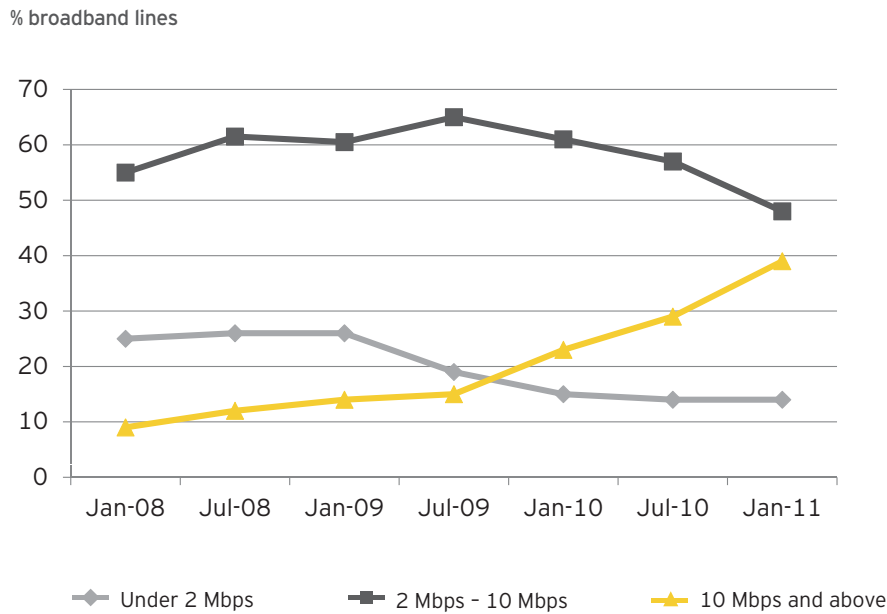
many incumbents. Back in July, some of Europe’s leading telecommunications chief executives presented a series of proposals to the EC aimed at boosting fiber investment, focusing instead on joint operator investments, flexible regulation at an in-market level and the introduction of tiered pricing for online content providers. Revenue cannibalization remains a very real fear for those players investing in fiber while also maintaining older infrastructure, and even Kroes recognizes that artificial reductions in copper access pricing could actually disincentivize consumers from upgrading to fiber if retail prices for basic broadband also begin to fall.

Nevertheless, the fact remains that growth in EU fixed broadband connections in 2010 was the lowest since 2002, and that 40% of households still have no broadband connection. Meanwhile, fiber broadband penetration rates in large European markets under perform those of developed economies in Asia.²⁰ Although the proportion of broadband connections above 10 Mbps is growing, the number of connections that are 2 Mbps or below remained largely static in 2010 on the back of stable prices. Nevertheless, the EC remains committed to ensuring that half of European households are subscribing to 100 Mbps services by 2020.

¹⁹ “Investing in digital networks: a bridge to Europe’s future” ETNO-Financial Times CEO Summit, 3 October 2011, via europa.eu.

²⁰ “Kroes’s high-speed internet plan faces obstacles” Euractiv.com, 21 September 2011.

Figure 4: EU fixed broadband lines by speeds, 2008-2011²¹



While the transition from copper to fiber is seen as pivotal to boosting Europe's competitiveness, the EC's digital agenda goes well beyond upgrades to fixed-line infrastructure. In September, Kroes announced plans for a Radio Spectrum Policy Programme (RSPP), a five-year project aimed at opening up valuable 800 MHz spectrum across member states to catalyze the spread of mobile broadband services. This is seen as a vital step in improving broadband performance in rural areas, where fiber rollout is economically unviable.

Thus far, only a handful of countries have repurposed broadcast spectrum in this way, so a consistent approach across member states remains challenging. Indeed, inconsistent national approaches to regulation remain something of a bugbear for the EC. In her speech, Kroes also criticized the Netherlands' recent net neutrality law as premature, saying that "acting quickly and without reflection can be counterproductive."²²

²¹ Digital Agenda Scoreboard 2011: Fast and ultra fast internet access, European Commission, 2011.

²² "Investing in digital networks: a bridge to Europe's future" ETNO Financial Times CEO Summit, 3 October 2011 via europa.eu.

Privacy issues are top of mind for mobile users

Mobile internet users continue to benefit from a range of innovative app-based services that score well in terms of convenience. However, the explosive rise of smartphone-related services has also done much to change the online privacy landscape, resulting in a new set of challenges for end-users, application developers, operators and regulators alike.

A recent survey conducted by Futuresight Ltd on behalf of the GSMA shows that a large majority of mobile users in developed markets feel uncomfortable with personal data being collected and repurposed by applications or shared with third parties for promotional purposes. Four out of five end users believe safeguarding their personal information is very important, with areas such as targeted advertising, location-based services and third-party information-sharing all revealed to be areas of concern among customers.

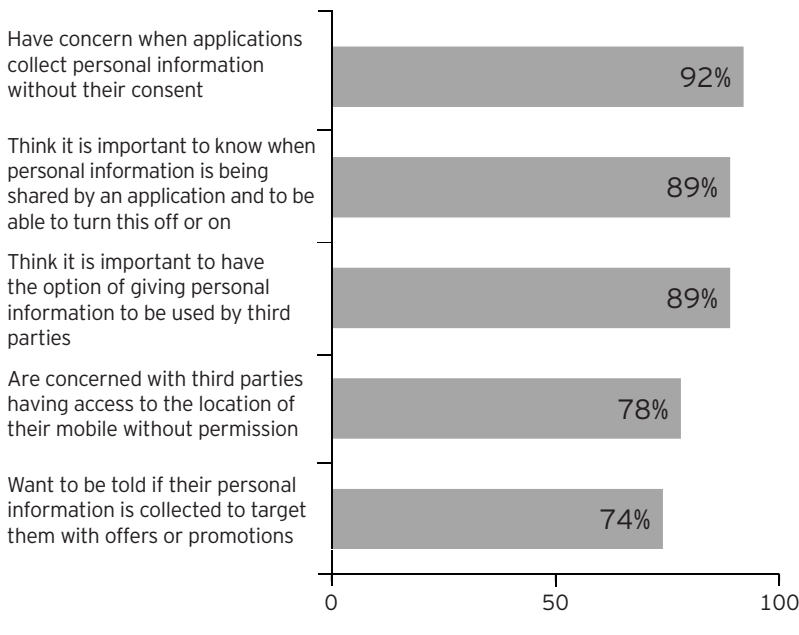
Many different entities are attempting to pre-empt user concerns around privacy. For example, the GSMA published a set of universal Mobile Privacy Principles in January 2011. However, the industry needs to move quickly to reassure customers, with clear regulatory jurisdictions in place to confront the issue. In September, UK premium rate phone regulator Phonepayplus announced plans for more protection for consumers from rogue apps. Following an investigation into app-based payments, the watchdog found various instances of malpractice and has now launched a 10-week consultation on proposals to ensure clear customer requirements for payment consent.²⁴

Although mobile applications are generating many of the headlines regarding privacy issues for mobile users, that is not to say that more basic services do not present headaches of their own. In India, anxiety

is growing around mobile marketing text messages. In order to curb a growing volume of unsolicited text messages, the Telecom Regulatory Authority of India (TRAI) introduced new rules in September, preventing mobile users from sending more than 100 SMS per day.²⁵ This follows rules laid out in 2007 banning marketing cold calls – a move, which itself has prompted the sharp rise in marketing-related text messages.

While there is much work to be done to reassure mobile users that their data is being safeguarded, certain scenarios allow for authorities to collect location and usage information without the end-user's consent. During recent unrest in London, mobile operator Everything Everywhere confirmed that police had been sending requests for information under the Regulation of Investigatory Powers Act 2000 (RIPA). Such scenarios show how concepts of end-user privacy and national security demand very different responsibilities of operators.

Figure 5: Mobile users concerns over use of personal information²³



Nevertheless, location-based services such as maps and weather services are highly valued by 70% of mobile users. In this light, end users realize both the benefits and drawbacks of value-adding, location-sensitive services. Issues regarding end-user control and service transparency have to be tackled head-on if consumer trust in mobile applications is to be preserved.

²³ "User perspectives on mobile privacy" GSM Association/Futuresight Ltd, September 2011; Survey data based on research conducted between April and June 2011, featuring 1,005 users in Singapore, 1,094 in Spain and 2,022 in the UK.

²⁴ "PhonepayPlus publishes 10-week public consultation on app-based mobile payments," PhonepayPlus press release, 26 September 2011.

²⁵ "Indian regulator sets 100-text limit to curb mobile-marketing nuisance" The Guardian, 27 September 2011.

Mergers and acquisitions



Introduction

From 1 July 2011 through 30 September 2011, there were 127 announced mergers and acquisitions worldwide, with a total deal value (where deal value is disclosed) of US\$13.8b, compared to 183 announced deals with a total deal value of US\$41.8b during Q2 2011.²⁶

The largest deal of the period was América Móvil's US\$6.5b acquisition of the remaining 40% of its Telmex wireline unit, which represents the final step to consolidate the company's operations. This allows the Latin American giant to realize economies of scale, driving administrative synergies while also positioning it to offer bundles of fixed and mobile services.

In the US, Windstream, a Tier 2 integrated operator, continued its expansion through the acquisition of PAETEC, a competitive local exchange carrier providing services primarily to business customers in 86 of the country's top 100 metropolitan areas. The

combined company will have US\$6.1b in revenue and will have a 100,000 route-mile fiber network once the deal is done.²⁷ Furthermore, it will enhance its existing portfolio of metro fiber, Ethernet, data center and managed services, including cloud services.

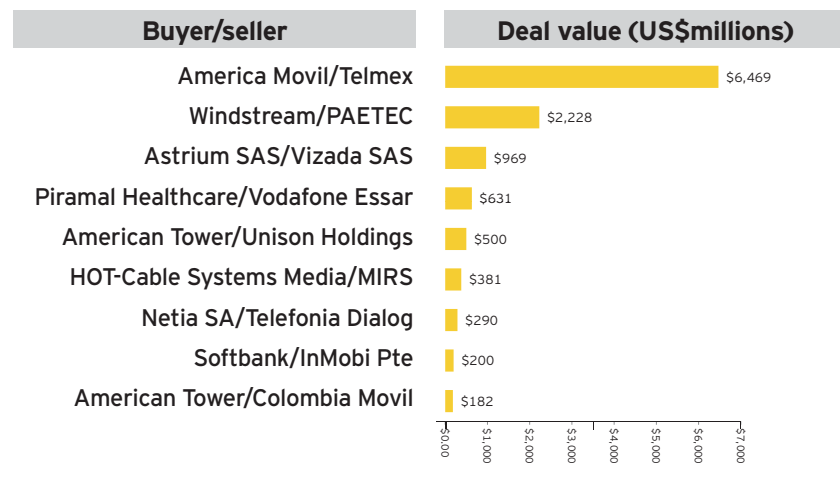
Europe's largest telecommunications deal during the three months to September was Polish operator Netia's acquisition of triple-play provider Telefonía DIALOG and corporate telecommunications provider, Crowley Telecommunications Services, for more than PLN1 billion. This reinforces the alternative operator's status as the country's second largest fixed-line operator, with more than 2 million voice customers and more than 900,000 internet customers, although the deal is still subject to approval from antitrust authority UOKiK.²⁸

²⁶ Note: deal value total excludes deals where value is undisclosed.

²⁷ "Windstream to acquire PAETEC" PAETEC, 1 August 2011.

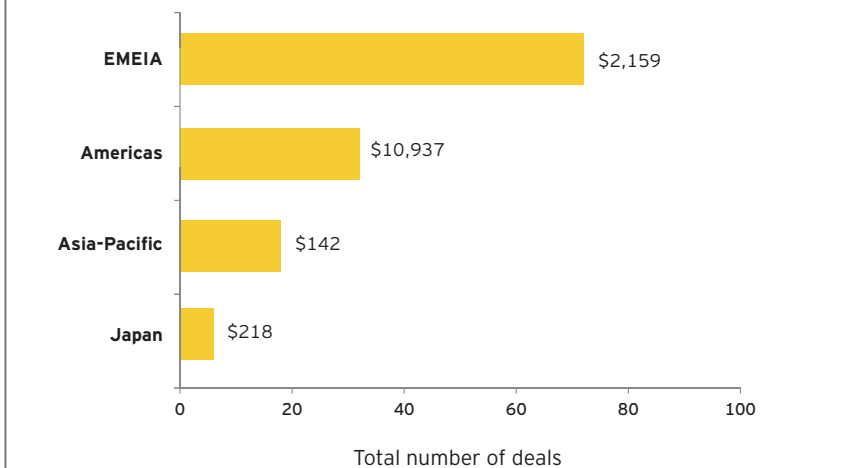
²⁸ "Netia takes over Telefonía Dialog, Crowley" Telecompaper, 30 September 2011.

Figure 6: Top telecoms M&A by deal value – Q3 2011²⁹



Transactions by geography

Figure 7: Q3 2011 M&A deal number and value by area (US\$millions)³⁰



Adjacent market moves from Asia-Pacific operators

It has been a busy quarter for transaction activity in Asia-Pacific. The Japanese telecoms sector has been in the news as various entities consider offloading stakes in operators in order to pay for disaster recovery in the aftermath of Japan's earthquake. In August, Japanese electricity generator TEPCO revealed plans to restructure its assets, including its 8% stake in mobile operator KDDI, to raise funds for the Fukushima Daiichi nuclear clean-up.³¹ This followed a bill presented in the Japanese Parliament in July stating that stakeholders would be asked to co-

operate as part of compensation efforts.³² Meanwhile, the ruling Democratic Party of Japan has gone on record to say that the government should sell some of its shares in NTT Corp to pay for reconstruction.³³

Despite this, operators in Japan and other developed Asian markets are continuing to make bold moves into adjacent sectors through acquisitions. The region's largest deal of the quarter saw Japan's SoftBank acquire a 44% stake in India-based mobile advertising network provider InMobi, which represents one of the largest investments to

²⁹ ThomsonOne

³⁰ ThomsonOne

³¹ "Tepco Planning to Sell Y200 Billion of KDDI Shares," *Dow Jones Business News*, 2 September 2011.

³² "Tepco Falls in Tokyo as Investors May Help Compensation," *Bloomberg*, 27 July 2011.

³³ "Japan DPJ Okada: Govt Should Look To Sell Some Japan Tobacco, NTT Shares," *The Wall Street Journal*, August 2011.

Figure 8: Asia-Pacific telecoms M&A³⁵

Date	Bidder	Target	Stake (value)	Business of target
15 Sep 2011	SoftBank (Japan)	InMobi (India)	(Undisclosed stake) \$200 million	Mobile advertising network services
8 Sep 2011	KT Corp (South Korea)	BC Card	33.85% (US\$216m)	Credit card company
29 Aug 2011	PLDT (Philippines)	ePDS Inc.	Increase stake from 50% to 67% (undisclosed)	Data formatting, printing and mailing services
19 Aug 2011	Bakrie Telecom (Indonesia)	Reka Jasa Akses	100% (US\$12.5m)	4G wireless broadband licensee
10 Aug 2011	NTT DOCOMO (Japan)	VMG Media	25% (US\$17.8m)	Mobile content business
26 Jul 2011	SoftBank (Japan)	Green Power Investment Corp	44% (US\$12.7m)	Wind power company
25 Jul 2011	CityNet (Singapore)	SingTel	US\$1.56m	Certain infrastructure assets

date in the mobile internet space worldwide. For its part, inMobi is confident that the investment will boost product innovation and stimulate further acquisitions throughout the mobile advertising value chain.³⁴ Earlier in the quarter, SoftBank acquired a 44% stake in Japanese wind power specialist Green Power Investment.

Japan's NTT DOCOMO has also been busy ramping up its value-added services proposition in the region. In August, the mobile operator acquired a 25% stake in Vietnam's largest mobile content provider, VMG Media. Following the deal, DOCOMO will share its expertise with VMG in areas such as content distribution, while at the same time boosting its mobile content profile in the region. In July, NTT DOCOMO disclosed plans to set up a joint venture with Chinese search engine Baidu to distribute mobile phone games and other related content. Baidu, China's largest search engine, will hold 80% of the joint venture as it seeks to move beyond its core search advertising business.³⁶

However, moves into areas beyond core access services are not the preserve of Japan's operators alone. In September, South Korea's KT Corp was reported to be in negotiations to purchase Enswers Inc., a Seoul-based video-search technology specialist, as part of plans to boost its cloud computing business.³⁷

While established operators in the region target acquisitions in fast-growing adjacent market segments, there are signs of consolidation in the WiMAX market. In September, Taiwanese WiMAX player Vee TIME announced it would buy out local rival Vmax Telecom Co., Ltd. for US\$47.7m as part of plans to expand its network coverage and customer base. The deal will reduce the number of national WiMAX players from six to five and follows calls earlier this year from the Taipei Computer Association urging existing players to merge to generate economies of scale.³⁸

However, one of the most keenly anticipated mergers in the region, that of PLDT and Digitel in the Philippines, remains hanging in the balance. Announced earlier this year, a 30 June deadline was moved to 26 August due to legal issues. Rivals have asserted that the merger would undermine competition and the National Telecommunications Commission (NTC) now hopes to announce a decision before the end of October.³⁹ In other news, expectations are rising around the privatization of Vietnam's telecoms sector. In September, the Ministry of Planning and Investment underlined that the privatization process for operators Viettel and MobiFone would resume in 2012 after a recent hiatus.⁴⁰

³⁴ "SoftBank Corp invests \$200m in InMobi: One of the largest investments in the mobile internet space globally" InMobi press release, 15 September 2011.

³⁵ Mergermarket, Telecom Asia, Dow Jones Factiva - [Cannot verify - please double check]

³⁶ "Baidu, NTT DoCoMo to Set UP JV in China," The Wall Street Journal, 8 July 2011.

³⁷ "KT in talks to buy Enswers to bolster cloud computing," Korea Times, 18 September 2011.

³⁸ "Vee Time to acquire Vmax Telecom," Taipei Times, 26 September 2011.

³⁹ "NTC sticks to due date for merger review" Business World Online, 9 October 2011.

⁴⁰ "Viettel, MobiFone, Habeco and Sabeco to Be Listed in 2012?" Vietnam Business News, 9 September 2011.

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Cash on the line 2011



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