Asia Pacific Mobile Observatory 2011

Executive Summary

Driving Economic and Social Development through Mobile Broadband

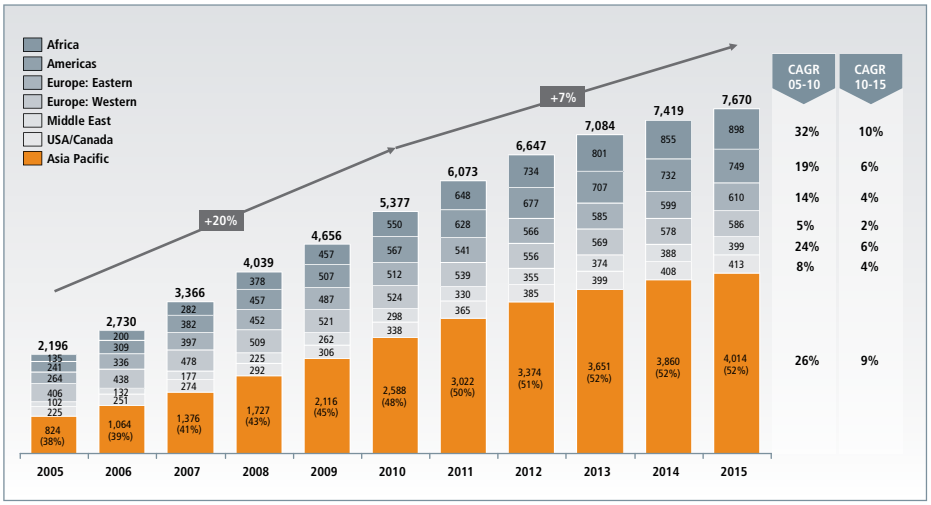
The 2011 Asia Pacific Mobile Observatory updates and expands on the first Asia Pacific Mobile Observatory carried out in 2009. With new data, analysis and insight it provides a comprehensive reference point for participants in the mobile industry, policy makers and other interested stakeholders.

This year's report focuses especially on the positive economic and social impact of mobile broadband, which is having a transformative effect across Asia Pacific. The innovative Mobile Broadband Readiness Index aims to show how the AP17[i] countries compare against one another from a 'readiness' perspective and identify the means to sustain growth from a market, regulatory policy and corporate strategy perspective.

Executive Summary

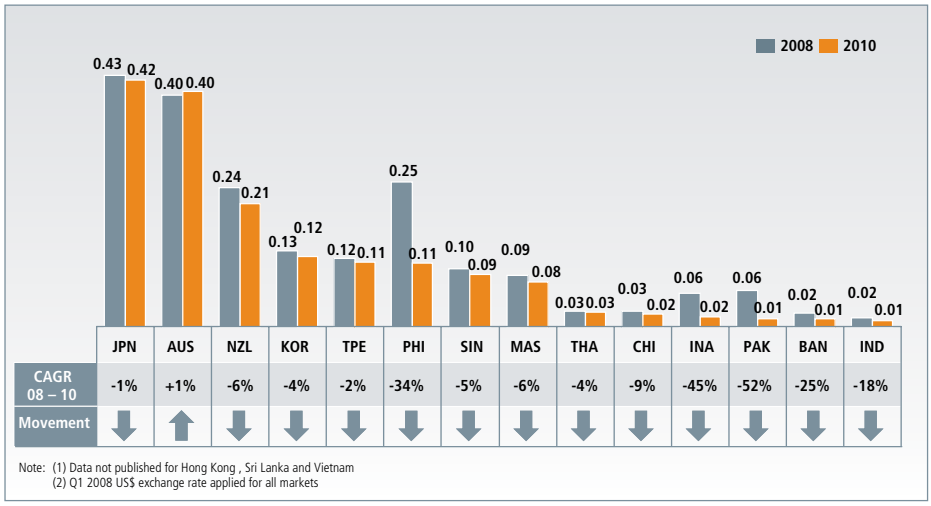
Asia Pacific is the largest mobile market in the world, and is continuing to show strong growth. Asia Pacific accounts for half of the total mobile connections in the world, with 3 billion lines. Looking ahead, the region is expected to continue its strong growth, adding a further 1.5 billion connections between 2010 and 2015 – similar in scale to the achievements of the last five years when 1.7 billion new connections were added. This growth and scale is encouraging for consumers and investors alike, as the industry has shown resilience through the global economic crisis by continuing to invest funds to improve the quality of mobile services across the region.

Figure 1: Global Mobile Connections[ii]
(in millions)



The Asia Pacific mobile market is highly competitive. 13 of the 17 major markets ("AP17") in Asia Pacific have at least five network operators, while India has as many as fifteen. This is contributing to rapidly declining prices and operator margins in most markets. Despite intense competition, falling prices and margins, operators in Asia Pacific's major markets have invested an average of 16.3% of their revenues into capital expenditure, significantly higher than their counterparts in other geographies. Furthermore, they have repaid investor confidence – operators in developing Asia Pacific countries have reported above-average equity performance, beating every other region globally.

Figure 2: Average Effective Price Per Minute for Selected AP17 Markets[ii]
(in US$)



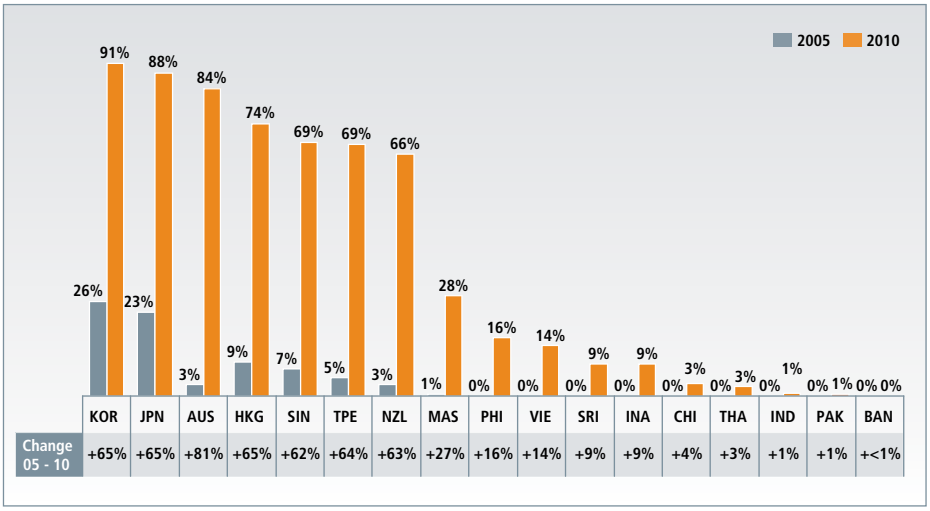
Note: (1) Data not published for Hong Kong , Sri Lanka and Vietnam
(2) Q1 2008 US$ exchange rate applied for all markets

i The focus of this report is on the 99% of subscribers in Asia Pacific who live in 17 countries: Australia, Bangladesh, China, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, Pakistan, Philipines, Singapore, Sri Lanka, Taiwan, Thailand, Vietnam. These 17 markets (hereafter referred to as AP17) are extremely diverse economically, culturally, geographically and politically and therefore are a good representation of Asia Pacific as a whole.

ii Wireless Intelligence 2011, A.T. Kearney Analysis

Mobile broadband and data services are transforming the landscape. By 2015 Asia Pacific is expected to account for 40% of global data traffic. Mobile broadband is booming across the Asia Pacific region, increasingly becoming the standard conduit to access the Internet, partly driven by rapid 3G network rollouts. In all developed Asian markets mobile service coverage now stands at over 95% while the likes of Malaysia and Indonesia have also achieved population coverage of over 80% – especially impressive given the topography of these countries. As a result, the breadth of applications and services delivered over mobile networks is booming. For example, by 2020 there will be an estimated 5.3 billion M2M connections in Asia Pacific.

Figure 3: Mobile Broadband Penetration 2005 vs. 2010 in AP17 markets[iii]



The inaugural Mobile Broadband Readiness Index (MBRI) indicates that countries creating an ecosystem conducive to growth in mobile data services have the potential to make rapid leaps ahead of their peers. In 2011 we saw Japan rise up to the top of the index above Singapore, driven by its early 4G rollout and its pro-innovation environment. Hong Kong and Vietnam also jumped ahead, demonstrating their strong commitment to fostering a successful mobile broadband landscape. Different stages of market evolution will require different strategies to ensure that growth can be sustained.

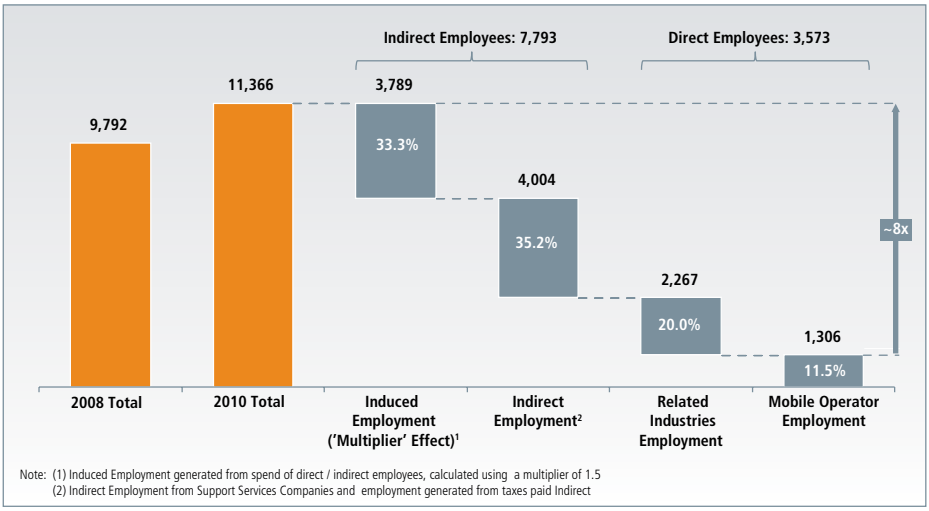
The mobile sector is a major contributor to Asian economic growth. The industry accounts for an estimated US$485 billion, or 2.7% of GDP, across the 17 major AP17 countries. It also accounts for 11.4 million jobs – for each job created by a mobile operator, there are eight more generated in the mobile ecosystem and wider economy. In terms of contributions to public funding, almost US$300 billion was generated through various taxes and fees in 2010. Overall, the positive impact of the mobile sector in terms of job creation, public funding and productivity improvement will play a key role in leading slowing economies away from potential recession. This relies on both the players in the mobile ecosystem and a conducive operating environment based on regulatory policies that will drive increased coverage, penetration and mobile phone usage, which in turn will lead to increased economic prosperity.

Figure 4: The Mobile Broadband Readiness Index 2011

2011	Country	MBRI Score 2011	Change in Rank vs. 2009
1	Japan	78.7	+1
2	Singapore	75.2	-1
3	Hong Kong	71.5	+2
4	Australia	70.8	-1
5	South Korea	66.9	-1
6	New Zealand	61.7	0
7	Taiwan	57.1	0
8	Malaysia	48.8	0
9	Vietnam	35.6	+4
10	Indonesia	33.3	-1
11	China	30.8	0
12	Sri Lanka	27.4	-2
13	Philippines	25.0	+1
14	India	20.2	+1
15	Thailand	20.0	-3
16	Pakistan	9.9	0
17	Bangladesh	6.1	0

iii ITU, EIU, Wireless Intelligence 2011, A.T. Kearney Analysis

Figure 5: Mobile Ecosystem Contribution to Employment in AP17[iv]
('000 Employees)



Note: (1) Induced Employment generated from spend of direct / indirect employees, calculated using a multiplier of 1.5
(2) Indirect Employment from Support Services Companies and employment generated from taxes paid Indirect

The mobile sector is having a transformational impact on society. As well as the social, environmental and charitable initiatives led by mobile operators, the industry is making a profound collateral impact on society by creating efficiencies in everyday communication, productivity and knowledge. Communication is more efficient than ever before, with mobile platforms providing a basis for instant social and professional connections. Productivity efficiencies come from data-enabled mobile devices providing greater flexibility in where we process information, allowing us to lead more productive lives and businesses to be more efficient in their delivery of goods and services. Knowledge efficiencies have enabled markets to function more efficiently and the unprecedented ability of consumers to access any information, anytime, anywhere and can provide a deep social, intellectual and financial advantage.

Regulators play a critical role as enablers of future mobile-driven economic and social development. The industry must continue to grow, in order to facilitate further economic and societal change across Asia Pacific. Effective regulatory policy-making is potentially the most important influencer of growth. Discussions with several players within the ecosystem identified five key regulatory themes that need addressing within an Asia Pacific context:

1) Optimising spectrum allocation and licensing
2) Driving effective taxation and deployment of government funds
3) Rebalancing regulatory frameworks to address new players in the growing mobile ecosystem
4) Developing a sustainable model for mobile internet, by proactively addressing net neutrality concerns
5) Allowing the market to address mobile data roaming charges

Progressive regulatory bodies that instigate and shape policy must do so by looking at the industry through a 'wide angle-lens', addressing the wider mobile ecosystem and ensuring that their policies continue to enable the industry to benefit its consumers, generate value and drive social development and economic growth.

To find out more contact the GSMA Press team at press@gsm.org or to read the full Asia Pacific Mobile Observatory with in-depth analysis and detailed examples visit www.gsmworld.com/MO

iv Wireless Intelligence 2011, BoA Merrill Lynch Wireless Matrix, IDC, Ovum, TIA, PwC, Informa, Telenor, A.T. Kearney Analysis

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