



Only 2% of the users in Ecuador use cell TV services, due to its elevated connection price, representing an additional payment of US\$ 10 to US\$ 12. Within the country, Movistar has been offering real time TV since 2005.



MOBILE TELEPHONY COMING CLOSER TO WIRELESS FIXED NETWORKS TO PROVIDE CONVERGENT SERVICES

They are technologies developed for GSM as well as for CDMA. They allow to combine cellular telephony with W-Lan networks. They are aimed at economizing data download and Internet access.

The development of Unlicensed Mobile Access (UMA) by the main GSM makers, and the CDMA 2000 W-Lan Interworking experiences, are the first steps of wireless fixed networks interconnection – especially Wi-Fi with cellular telephony. Both convergent services need a handset and a solution in the operator so as to function. The technology allows the mobile device to connect to Internet within a hotspot and automatically download data when the cell phones leave the wireless access.

The promoters of these solutions stand out the competitiveness of the Internet connection costs, in relation to the cellular third generation services and the possibility of the operators to offer services integrated packages. Moreover, they pointed out Argentina, Brazil, Chile and Mexico as the most mature markets so as to implement the technology. While

there are different perspectives as regards which are the operators with greatest possibility to offer the service, although some envision that such role will be taken over by América Móvil, Telefónica and TIM; other see the local companies as those with greatest predisposition.

Within the GSM family, Nokia was the first manufacturer to launch an integrated development for UMA to the market. It is a handset 6136 and the solution UMA Network Controller (UNC) that were introduced in February of this year during the 3GSM Congress in Barcelona. In accordance with Yolande Pineda, Manager of Corporate Communications of Nokia for Latin America, "they are systems that tend to get used to the use of Wi-Fi in the cell phone, with the purpose of optimizing the benefits of each network". According to the executive, the technology

development is oriented to provide the "greatest amount of options to the customer", and for that reason, its goal is to put "the mobility at the hand's reach". Although, she denied that the technology could function as "a replacement of the cellular network", since she considered it "complementary to the rest of the GSM services".

Among the options opened by UMA for the operators, Pineda emphasized "the capacity of attracting customers through an integrated services offer, which will allow them to increase the market share". Moreover, she considered that the technology "will play a vitalizing role in the different countries in which it is developed". Although, she explained that for its expansion, it is necessary to have "technologies and frequencies bands standardized" used, which allow all the makers to compete equal".



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On the other hand, Nokia's executive pointed out that Argentina, Brazil, Chile, Colombia and Mexico would adopt first this technology, although she did not reject the possibility that Venezuela would beat some of these markets since "it is a country where the added value services offer is very developed".

Other of the manufacturers that launched UMA solutions to the market was Alcatel. It is a network technology that, according to Roland Thies –VP of alliances for Alcatel's mobile communications activities– "can be used isolated or integrated in the NGN core network". The French company's solution was adopted by BT Fusion in Great Britain, where it operates as MVNO using Vodafone's network. According to the executive, the development "enables reducing the operator's CAPEX since it adapts to the evolution of IMS". Moreover, "UMA does not require license since it uses the unlicensed radio frequencies such as WiFi", explained Thies.

As regards the technology deployment in Latin America, Alcatel's vice-president considered that "UMA solutions require that there should be a broadband access infrastructure already deployed; although the region is prepared, since form example, in Brazil 50% of voice traffic is VoIP. Therefore, the power is clear". On the other hand, although it did not emphasize a unique business model to be followed, Thies considered that "the operators that probably will be more interested in UMA will be the second or third of the market share, since they could improve the coverage in closed places, and offer high speed data traffic at low cost". Moreover, according to the executive, "Chile, Brazil and Argentina are the counties with greater power".

CDMA also has solutions that adapt themselves to mobile telephony to operate with wireless fixed networks. They are technologies that –like GSM– adapt to handsets and operators networks to offer interoperability between both

services. In accordance with Celedonio von Wuthenau, regional director for Latin America of CDMA Development Group (CDG), "there are operators that have already started trials to offer the service, Spring and Verizon's cases in United States". Although he clarified that they are "trials, since for the time being 3GPP2 have not chosen a standard to provide the service".

As it was explained by von Wuthenau, "it can turn into a CDMA 2000 complementary technology". Although he clarified that for that "it should act in licensed spectrums". According to the CDG's representative, the main obstacle that Wi-Fi and Wi-Max face "is that as they are not licensed, they cannot assure that there is no jamming, they cannot assure security, or excellent access speeds". However, he considered that "if the technologies W-Lan get a specific spectrum for their development, they would improve considerably these aspects".

In relation to Latin America's possibilities to deploy this service, von Wuthenau explained that its development depends on "technologies and handsets that show an accessible cost". And he stood out Chile, Brazil, Mexico and Venezuela, among the countries most capable to deploy it. Moreover, he considered that "Telefónica Móviles, América Móviles and TIM will be the first to develop this kind of services". Although he clarified that it will not be in a near future, since "for the time being they are focused on winning customers and increasing its market share".



PER SECTION

MERGER

Telefónica enters European receipt to retake control of mobile affiliates

Telefónica has announced its proposal of Telefónica S.A. (TEF) before the administration Council of Telefónica Móviles (TEM), to obtain the stocks that its mobile affiliate has in the Stock Exchange (7.5%). The transaction that constitutes a swap of four company's stocks for five of Telefónica Móviles' shares, would represent TEF a payment of € 4.1 billion, as well as would create the fixed-mobile operator with the largest customer base throughout the world. The proposal has opened the door so that the Spanish operator could start its convergent services game. The transaction would place the company at the same level as the main European operators. Moreover, the convergence would allow the company access the total control of the mobile operator currently present throughout 13 countries of the region.

In this way, and after the absorption of Terra (the Internet provider that also belonged to the

group) in 2005, the company would begin to offer packet offers that will combine services from its three companies. This step would also allow –it to generate new business models throughout its Latin American, Spain and Morocco branches– to speed up the integration process of its recently acquired European branches: O2 and Cesky Telecom.

However, Telefónica was not the first with the idea to converge. The first step toward creating one integrated operator was proposed by France Telecom, which had started acquiring its mobile arm in 2002, and later purchased Wanadoo, its Internet provider for € 3.9 billion. Likewise, Deutsche Telekom carried out a similar process, in December 2004; when the operator decided to absorb its affiliate Internet Company, T-Online. Similarly, Telecom Italia had merged its branches with the aim to operatively restructure; the operation, had been evaluated in some € 20 billion and allowed Telecom Italia acquire 44% of the stocks it did not possess in TIM.

With the new company, it is expected that Telefónica will start developing integrated offers, which would allow it to be more competitive throughout the market, starting from convergent network services. In this scenario, it is foreseeable that the rest of the region's operators will begin an integration process that would include them within the competition. Thus, it would not seem strange to see Telmex and América Móvil (both companies of the Carso group) as the next to take the great step toward integration.

RECORD

Vodafone surpasses 10 million 3G cell phone customers

The cellular telephone group Vodafone announced that it has surpassed 10 million 3G customers, two weeks before the company's forecasted date. "This is an important record for Vodafone and I am pleased to announce that we have reached the goal before the forecasted term", said Arun Sarin, executive president of Vodafone.

IMMINENT

Telmex to close the purchase of Verizon's subsidiaries before the end of March

Different market sources say that the purchase of Verizon's assets in Puerto Rico, Dominican Republic and Venezuela on behalf of Telmex –that was advanced by *Convergencialatina*– would be summoned up before April. The rumor restarted after Vodafone acknowledged that it had received an informal offer from Verizon, which comprises the British operator's 45% in Verizon Wireless. Moreover, the transaction between Vodafone and Verizon, that would reach some US\$ 40 billion, would force the American operator to gain liquidity and, at the same time impelling the rumors published by the Mexican press at the beginning of this month. In one of its articles, the newspaper Reforma, assured that the magnate Carlos Slim would be willing to invest US\$ 3 billion to purchase Verizon's shares in PRT (Puerto Rico, Cantv of Venezuela and Verizon Dominicana).

Brazil surpassed 88 million cell lines, stated ANATEL. Last month there were 594 thousand new lines sold, registering the lowest volume in the last two years as well as registering a 26.7% fall compared to the same month last year.



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Gustavo Wrobel, Public Relations & Communications Director at Motorola for CALA

"Motorola is aiming at the young public and adults that demand more of phones that are easier to use. We want to strengthen our leading role throughout Latin America", said the executive.



CLOSING

Amazonia Celular registered a loss of US\$ 19.9 million in 2005

The operator Tele Norte Celular Participaciones (Amazonia Celular) registered a loss of US\$ 19.9 million during 2005, representing a 1.151% increase compared to its losses recorded in 2004. The operator's billing was of US\$ 203.1 million, representing a 13.4% fall compared to the previous year. The company's Ebitda (Earnings before interest, tax, depreciation and amortization) was of US\$ 58.7 million, a 16.8% increase compared to the previous year.

Telemig Celular obtained earnings for US\$ 81.8 million in 2005

The operator Telemig Celular Participaciones obtained the greatest earnings of its history in 2005, registering US\$ 81.8 million, a 9% increase compared to 2004, said Grau, president of the company.

According to Grau, that result contributed a 20% increase within their customer base, reaching 3.3 million last year.

CONTROL

Citigroup takes over Telemig Celular and Tele Norte Celular

Citigroup and the Pension Funds will take over the control of Telemig Celular Participaciones and Tele Norte Celular Participaciones, direct controllers of Telemig and Amazonia Celular, replacing the executives appointed by the bank Opportunity, of Daniel

Dantas today. This change arose from a special meeting held yesterday, where it was stated that Citigroup's representative, Sergio Spinelli, would assume as president of both companies' administration Council.

The meeting started 4 hours late due to that at first there was a decision from the Supreme Court that had suspended the meeting on behalf of Opportunity's request, until it finally, gave into another request submitted by Citigroup and the Pension Funds, approving the meeting.

PURCHASE

Softbank purchased Vodafone's Japanese subsidiary for € 13 billion

Softbank, Japanese Internet and Telecommunications Company announced that it has negotiated an agreement with the world's biggest mobile telephone operator, Vodafone, to purchase its struggling Japanese subsidiary for € 13 billion. This operation, one of the most important throughout Japan and Asian history, will enable Softbank to enter the Japanese mobile market with power.

On the other hand, for Vodafone, the sale will mean an income of € 9 billion, which will be distributed among its shareholders. Moreover, registering some 15.15 million subscribers at the end of February, Vodafone KK is the third biggest Japanese mobile operator, however it is far behind the giants: NTT Do-

CoMo (50.66 million) and KDDI (24.96 million subscribers).

WI-MAX

Orbitel to introduce its Wi-Max services by the year's end

Yesterday, the long distance operator announced that by the end of 2006 it will have launched its wireless broadband offer (Wi-Max) in 15 main cities of the country. Alejandro Ceballos, Orbitel's president, pointed out that the company is the first Latin American company and one of the first five companies of the world to sign a Wi-Max technology provision agreement with the German

multinational, Siemens. This year, the subsidiary of Empresas Públicas de Medellín (EPM) has also entered agreements with the multinational Cisco Systems, and Ericsson. During 2006, Orbitel will invest US\$ 44.2 million to strengthen its operations and confront new businesses like Wi-Max. Moreover, the company's investments will be aimed at expanding its underground cable capacity and strengthening its fiber optic ring. Ceballos stated that the objective is to expand their broadband Internet access and increase their coverage from 2% to 40% in less than five years.

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LG S5200