

Mobility drives success

Anuário Telecom 2006 survey indicates that services were responsible for most of US\$ 46 billion revenues of the industry: approximately US\$ 37 billion as compared to US\$ 9 billion in products. And, once more, mobile phones were the market driving force with 32.88% growth in 2005.

2005 deserves to be known as the year in which telecom was essentially defined as an activity of professional services with the highest level of specialization. With US\$ 37 billion revenues and rewarded by productivity, it was the segment determining the excellent performance of the telecom industry, the total revenues of which, according to *Anuário Telecom*, was US\$ 46 billion in 2005, 32.88% higher than previous year. It is important to stress that although the evolution in percentage is balanced, calculation base for services is much higher than for products because it takes into account fixed and mobile phone carriers.

In a country of services, notwithstanding the high value of telecom projects, products share of global revenues (namely equipment sales) has not reached one fifth: US\$ 9 billion according to *Anuário's* survey of 186 companies.

Once more, among 27 surveyed segments, mobile phones, in open expansion process in Brazil, has pushed forward the infrastructure industry. In a year where the Brazilian economy has grown just 2.3%, according to IBGE (Brazilian Institute of Geography and Statistics), against 4.9% in 2004, mobile phone revenues were US\$ 2.3 billion (exchange rate was 2.4205) and, in advancing 62.9%, have gone beyond the most optimistic projections.

Among products, terminals were the most benefited with US\$ 4.6 billion revenues and 26.89% growth as compared to 2004. Brazil has closed the year with 86.2 million subscribers and the expectation is to exceed 102 million in 2006. The third best performance went to

public network access equipment, including the satellite network, with US\$ 485.7 million revenues. The 45% growth as compared to 2004 was attributed by providers to the globalization wave which is pushing the market with a huge demand for solutions to integrate the farthest regions of a country with continental dimensions. But the virtual need of companies to remain 100% linked to customers and business partners in general, wherever they are, has also benefited corporate network solution suppliers with enough breath to transport voice and data and ranked fourth by revenue: US\$ 427.9 million. Wires and cables, with US\$ 335 million revenues are clear signs that carriers have not yet finished their plant enhancement or modernization process.

Conventional carriers remained important for services revenues. Fixed phones are still the absolute leaders with US\$ 17.8 billion revenues, equivalent to 48.2% of global revenues according to *Anuário Telecom*. But the distance separating them from mobile phones has decreased in 2005. Cell phones, with net revenues of US\$ 11.9 billion, were responsible for 32.23% of total telecom industry revenues. Among services, Internet access companies had the highest percentage growth. The 16 surveyed companies had total revenues of US\$ 633.2 million, 123.21% higher as compared to 2004. Another segment with nothing to complain is implementation and maintenance of infrastructure and management of fixed and mobile network operations, the revenue of which, according to *Anuário Telecom 2006*, got close to US\$ 1 billion.

Telecom business revenues and market share

Data communication services had the highest revenue after fixed and mobile phones: 46.9%. Value-added services, that is, those enabling companies to overcome challenges and become more agile and productive, thus profitable, were ranked third. But their performance was almost exclusively due to call center services. The ten largest operating companies were responsible for US\$ 1 billion revenues according to ABT (Brazilian Telemarketing Association). This way, they have balanced the segment's performance of national and international broadcasting, video on demand and videoconference services, which have not yet taken off. 2006 shall be the year in which the concept of convergence will be translated into concrete projects, especially for phone carriers, eliminating for good any barriers that, by chance, may still keep apart fixed and mobile phones.

On the other hand, the concept of convergence, sponsored by the widespread of broadband Internet access, is prone to gain space by gathering in a same package voice, data and video services as support to business activities of small, medium and large companies in different sectors of the economy, or even for home professional and entertainment applications.

The combination of high-speed IP networks with small handheld devices with the intelligence and storage capacity of PCs shall also encourage the spreading of mobile solutions. Willing to react to TIM's assault, second largest mobile phone company in Brazil, Vivo, absolute market leader, decided to adopt GSM technology, able to better support a family of high tech services, announcing an era of total mobility.

HARDWARE AND SOFTWARE

	Net Revenue (US\$ million)	Share (%)
Handsets and Terminals	4,630,417.53	51,29
Mobile Systems	2,321,870.23	25,72
Access Networks	485,712.16	5,38
Private Networks	427,211.76	4,73
Cables	335,793.37	3,72
Public Switching	301,922.28	3,34
Infrastructure	132,023.99	1,46
Transport Networks	107,230.80	1,19
Components	100,674.10	1,12
Support Software	69,497.57	0,77
Application Software	52,400.11	0,58
Instrumentation	22,440.13	0,25
Supplies and Accessories	11,778.37	0,13
Trunking and Radiolocation	10,680.52	0,12
Other Products	18,307.14	0,20
Total	9,027,960.05	100,00

SERVICES

	Net Revenue (US\$ million)	Share (%)
PTTs	17,838,783.40	48,26
Cellular Operating Companies	11,913,798.58	32,23
Data Communications	2,805,380.05	7,59
Value added service	1,122,254.30	3,04
Network Management	966,318.69	2,61
Pay TV	768,906.58	2,08
Internet/Access	633,227.71	1,71
Consultancy, Project and Integration	508,662.49	1,38
Infrastructure Service Providers	229,890.86	0,62
Application Development	130,663.65	0,35
Internet/Services	29,918.30	0,08
Trunking	3,442.64	0,01
VoIP	1,171.46	0,01
Other services	12,689.64	0,03
Total	36,965,108.35	100,00