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REPORT ON BUSINESS

S&P/TSX	DJ Ind.	Nasdaq	Dollar	Gold
12,196.15	11,400.28	2,303.97	90.24¢ (U.S.)	$668.50 (U.S.)
–78.31	–16.17	–5.87	–0.14	+1.10
Energy stocks lead composite index's retreat	Procter & Gamble paces decline on blue-chip index	Microsoft, Intel, Sirius fall on tech-laden index	Snaps six-day rally after rising above 90 cents	Gains on concerns over Iran nuclear standoff

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More cell connections than people

Early adopters make U.K. one of the most competitive mobile markets in Europe

BY DANA GORNITZKI, LONDON

Only 10 years ago — a lifetime in the world of technology — U.K. cellular connections stood at 6.8 million.

Today, there are 62.5 million mobile subscriptions, more than the total U.K. population. The figure accounts for some users who have two phones — one for business, one for play — as well as discarded SIM cards.

The U.K. is one of the most competitive mobile markets in Europe, and one that adopts early and fast, says Nick van Veen of Forrester Research Inc. With only 11 per cent of U.K. users owning a 3G (third generation) handset, Mr. van Veen expects that figure to rise to 68 per cent by 2010.

Forrester puts the country's end-of-year 2005 user penetration rate at 77 per cent, a figure that is expected to grow and peak at 81 per cent by 2010. It's a shift that will see the complete disappearance of GSM-type phones from 21 per cent in 2005, and shrinkage to 31 per cent of GPRS phones, which dominated the market in 2005 at 68 per cent.

"Right now, most people care about design and simplicity," he says. "Most people aren't focusing on the new available features."

With mobile operators spending billions of dollars in obtaining 3G licenses, all eyes are on new revenue generators. Besides voice, the big money-makers in the mobile world are SMS, or text messages — 100 million are sent a day — and ring tones.

In a market that will be worth close to $30-billion by 2007, according to the Wireless World Forum, mobile operators, content producers and service providers are creating new business models and marketing schemes.

In the U.K., four operators dominate the market — Vodafone, O2, Orange and T-Mobile. Add to that 3, a fifth player that pushed the sector in a more aggressive direction with its entry into the market in 2003 with a focus on 3G technology.

Now that the race is on, the question is which ideas will stick.

The climate in the cellular industry is reminiscent of the pre-dotcom bubble days. Such events as MobileMonday, which brings together industry insiders, allow companies to show off their latest "killer apps" and content — such as mobile payments, mobile dating, repurposing of such on-line applications as eBay and Skype, and a stream of new bells and whistles.

In all the hype, mobile broadcasting is the new buzz term. Two recent trials for new mobile television services indicate that the market is out there — people want to watch television while on the go.

One service that's taken off is 3's See Me TV, which allows subscribers to generate their own video content and share it with others on a "cash for clips" basis on the company's mobile video channel. Already, the site has seen upward of four million downloads.

Where do Canadian companies fit into the U.K. mobile boom?

At the recent 3GSM summit in Barcelona, the Canadian embassy launched a dedicated Web link to Canadian players (www.canada3gsm.com), and at least two are making dents in the U.K. market: OZ Communications Inc. and AirG, also known as Air Games Wireless Inc.

OZ, which is based in Montreal, opened an office in London about two years ago and aims to capture a market in which 9 million people younger than 15 own a mobile phone and the average age at which a child gets a phone is 8, according to Wireless World Forum. It would be a natural fit for OZ, which enables mobile messaging using AOL, MSN and Yahoo as the interface, says spokeswoman Beverly Wilkes.

Similarly, AirG — a privately owned Vancouver company that employs 100 people — is keen to get a piece of the U.K. pie. Fred Ghahramani, the company's managing director, started it with two partners in 2000. AirG operates in 30 countries and specializes in mobile gaming and mobile-based social communities.

The Canadian companies face fierce competition, Mr. van Veen says.

"U.K. is a market where twenty to thirty per cent of subscribers move to another operator because they want a new phone or better deals," Mr. van Veen says. "Now that we're almost at the point of saturation, the pressure is on to find other ways of making money. With the plethora of services, time will tell in terms of what sticks."

Special to The Globe and Mail

RANDY QUAN/THE GLOBE AND MAIL

The competition among Britain's mobile companies is fierce.

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