

# Mobile phones boost global telcom profits

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South Korea is one of the most wired countries in the world, according to the Organization for Economic Cooperation and Development, boasting the world's highest number of broadband subscribers, as well as one of the highest number of cell-phone users. So perhaps it comes as no surprise that SK Telecom, the nation's biggest mobile-phone operator, has reported its net profits reached \$458 million, 56 percent from a year ago, in the second quarter ended June 30.

It was, however, the first time the company posted a profit increase in five quarters, and the jump was due in large part to the 43 percent gain in its wireless Internet revenue. "There are concerns about continued growth of the mobile phone service industry, but various new services and efforts to reduce marketing costs have helped us record a better profit," said Kim Sin-bae, the company's president, in a news release on Monday.

In fact, so bullish is SK Telecom about the growth prospects of the wireless sector it is planning to spend \$585.09 million, or 38 percent, of its capital-expenditure budget, on developing third-generation networks. Still, SK Telecom is far from alone in seeing earnings soar as a result of steady demand for next-generation mobile connectivity. In Japan, the mobile-phone sector showed signs of expansion as KDDI, the country's second-largest telecom group, reported its cell-phone operations have expanded "All key statistics show progress in our mainstay 'au' mobile phone business," said Tadashi Onodera, KDDI's president, at a news conference in Tokyo on Monday. "It all goes to show you that there's little doubt about it ...fixed (phone) lines are steady

business, and that's a global phenomenon, but it's conservative ...not an income generator," one executive at a major Japanese telecom group told UPI on condition of anonymity. The executive cautioned, however, that much as next-generation telecommunication networks might be attractive for many telecom companies, many of which formerly were wholly or partially state-owned, it remains a high-risk -- albeit potentially a high-return-yielding -- strategy to put too much money into the wireless networks.

The growth in the mobile industry in the latest quarter has not been limited to Asia.

British cell-phone group Vodafone also has reported strong growth in recent months. It boasted on Monday that a total of 4.1 million new users subscribed to its services during the quarter ending June 30, up 35 percent from a year ago, and bringing the total number of Vodafone users worldwide to more than 165 million. Of the new Vodafone subscribers, 1.1 million signed up for the company's costlier 3G mobile-phone services. "We have seen strong performances across Europe and in the U.S., and we continue to focus on improving our business in Japan (and) 3G is building momentum with over 1 million more registered devices in the quarter," said Arun Sarin, Vodafone's chief executive officer, in a news release. The anonymous Japanese executive warned that telecom companies should not be too hasty about focusing all their energy on expanding wireless systems.

Fixed lines are not going away. They remain "a safe bet, unlike mobile-phone technology," he added.

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