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ForceNine Consulting -- White Paper #6 Impact of Number Portability and Service Contracts on Wireless Churn June 2004

Methodology

This white paper is based on online surveys of approximately 2,000 SMS subscribers in the US conducted by SMS.ac on behalf of ForceNine Consulting in May 2004. Three questions were asked:

1. Where you live, are you able to keep your mobile phone number if you change service providers?
2. Now that mobile service providers are required to let you keep your mobile phone number if you change providers, does this make you:
 - Much more likely to switch to another service provider
 - Somewhat more likely to switch to another service provider
 - It doesn't affect my decision to switch to another service provider.
3. If you have a contract with your mobile service provider, how much time is left on the agreement?

It should be noted that survey data are indicative of SMS users' behavior and attitudes, and they are not statistically projectable to wireless consumers at large.

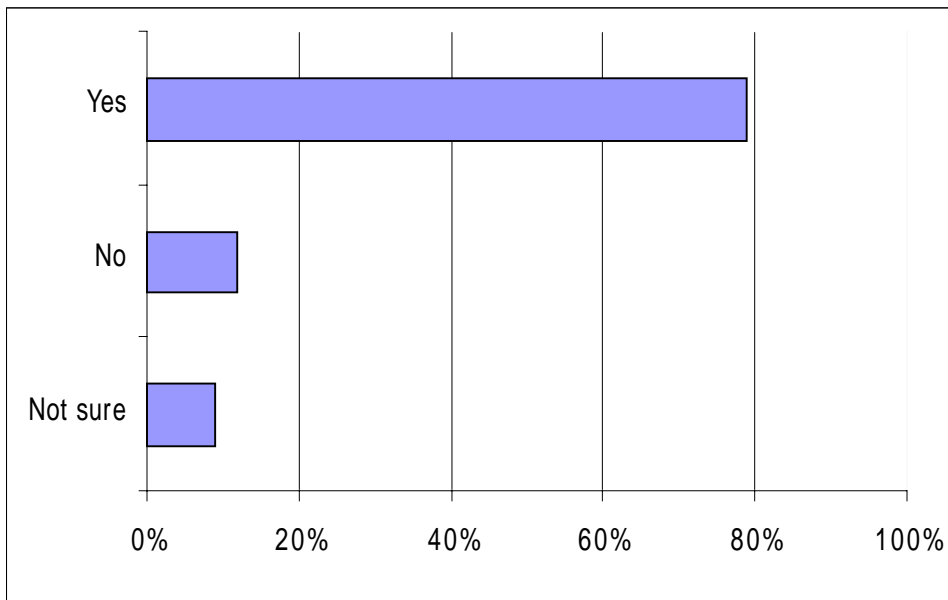
Conclusions

- Most SMS subscribers are aware of number portability.
- Number portability makes SMS subscribers more inclined to change wireless service providers.
- Over 90% of SMS users have service contracts, which will be expiring in rolling stages during the next 18 months or so.
- Among SMS users, wireless churn is likely to increase during the next 12 to 18 months, as service contracts expire and the number portability constraint is removed.
- As noted above, ForceNine Consulting's survey findings do not apply to wireless subscribers-at-large. Nevertheless, these data are indicative of increasing churn rates among all wireless subscribers. If we assume that many wireless users have been unwilling to change service providers because they wanted to retain their number and that the vast majority of wireless users have service contracts, then increasing churn rates are inevitable as contracts expire and consumer awareness of number portability takes hold.

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Are you able to keep your mobile phone number if you change service providers?



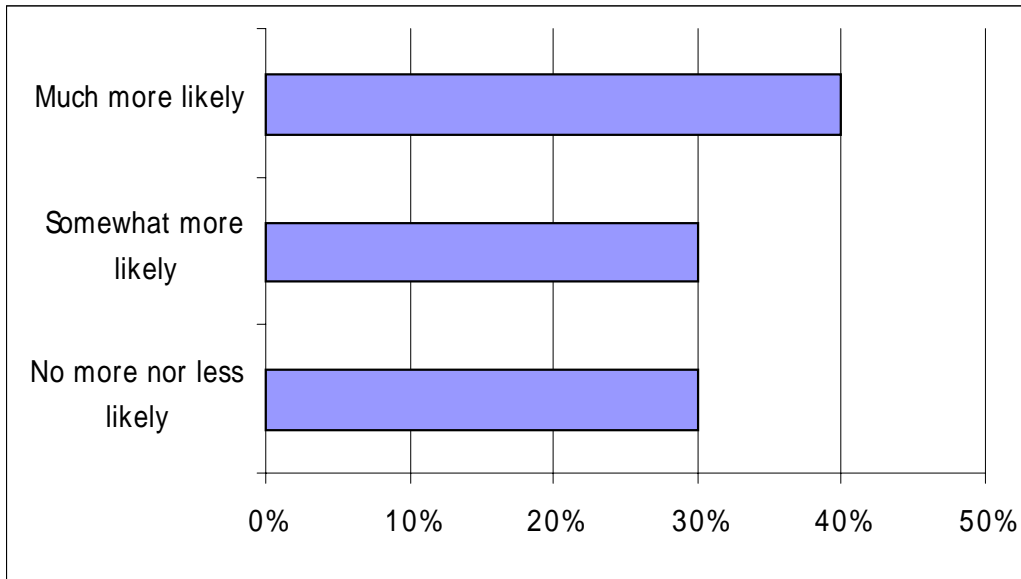
Nearly 80% of SMS users in the US who responded to the survey said they had number portability where they lived. About 12% said they could not keep their mobile number if they changed providers, and 9% were not sure. When the surveys were implemented, number portability had not yet been mandated for approximately 20% of rural cellular service areas. Thus, the survey results indicate high awareness of number portability, among SMS users who live in areas with and without number portability.

SMS users would be expected to have higher awareness of wireless developments and regulations than non-SMS wireless subscribers. It is clear that the vast majority of wireless users are aware of the availability of number portability as of mid-2004.

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Likelihood of Switching Service Providers Due to Number Portability

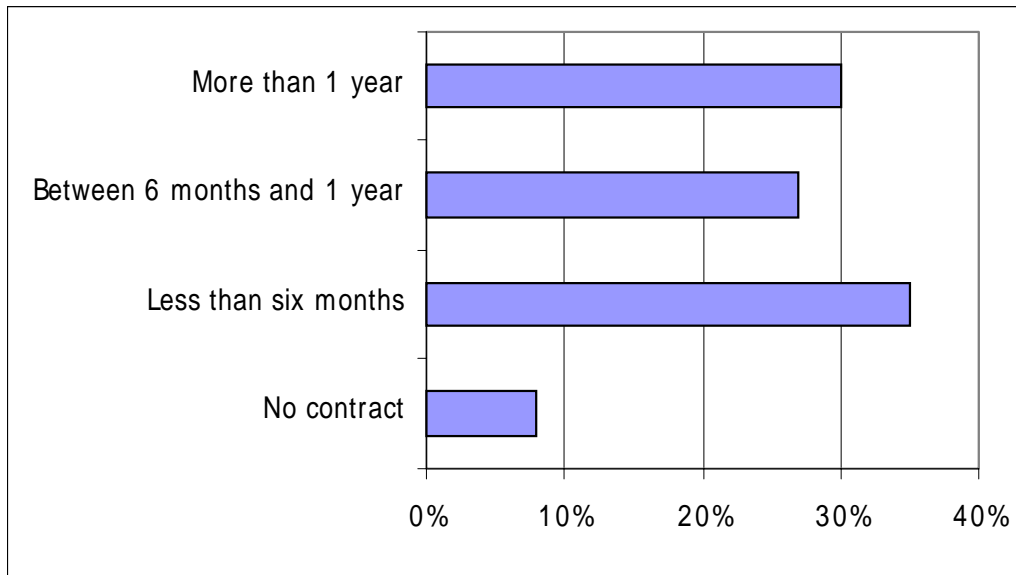


With number portability in place, a high 40% of SMS users are “much more likely” to switch to another service provider. Another 30% of SMS users are “somewhat more likely” to switch to another service provider because of number portability and 30% said that number portability has no affect on their switching decision.

To the extent that these data reflect the attitudes of wireless subscribers-at-large, churn is likely to increase as awareness of number portability permeates the wireless customer base.



How much time is left on your service contract?



Only 8% of SMS users do not have a service contract with their wireless provider. Nearly 35% of SMS users have service contracts with less than 6 months remaining on the agreement, 27% have between 6 months to one year left on their service contracts, and 30% have one year or more to go on their service contracts.

Service contracts are undoubtedly a constraint on switching wireless service providers. Among SMS users who responded to the surveys, wireless service contracts will expire in rolling stages: over one-third of service contracts will expire within six months, another quarter to 30% will expire within the next six months, and another 30% will expire within the following six to twelve months. With number portability, substantial numbers of SMS users will be inclined to change wireless providers as their service contracts expire.

While these survey data do not apply to non-SMS wireless subscribers, there seems to be no systematic reason to expect service contract patterns to differ between SMS users and non-SMS wireless users. If in fact some 90% of wireless customers have service contracts and, like SMS users, they feel that number portability removes a constraint on changing service providers, wireless churn may increase significantly during the next year or two.

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About ForceNine Consulting

ForceNine Consulting is a high-level consulting firm providing financial, management, technical and strategic planning services to the telecommunications industry. With a focus on the \$15 billion wireless broadband sector, particularly WiFi and 2.5G/3G, ForceNine Consulting provides market research, due diligence, strategic planning, industry intelligence, technology support and publications. The firm's financial service offerings include valuations, mergers and acquisitions support, and turn-around assistance. With more than 20 years experience in the telecom industry, ForceNine Consulting's analyst and sector experts' skill sets include certified appraisers, former industry CEOs, Ph.D.s, engineers, research analysts and entrepreneurs.