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February 23, 2001

Amid Telecommunications Gloom, Optimism in France

By NIALL McKAY

CANNES, France, Feb 22 ? While the financial markets remain pessimistic about the mobile telecommunications business, with stock sell-offs on both sides of the Atlantic, telecommunications suppliers are showing no signs of retreat at the 3GSM World Congress here, where more than 14,000 people have converged on this small city on the C?te d'Azur.

"This is now bigger than the Cannes Film Festival," said Philippe Rivet, a taxi driver who has spent the week ferrying delegates to and from the only hotel rooms available ? in Monte Carlo, a \$100 cab ride away.

The optimism here is far removed from the layoffs at telecommunications companies in the United States, with businesses taking delegates by speedboat to presentations across the bay and dozens of vendors holding parties on the \$40,000-a-week yachts moored beside the Palais des Festivals convention center.

Staid European vendors are working hard to give themselves a trendy makeover. **Ericsson** **Ericsson Telephone Company** **ERICYINASDAQ**, for example, announced that the actress Angelina Jolie will be using its high-technology gadgets in this summer's "Tomb Raider" action film.

The European and Japanese mobile telecommunications vendors gathering here are betting on the next generation of mobile technology, called third generation, or 3G, which promises to bring music, pictures and video to users of cell phones and hand-held computers. They predict that the new technology will hit the streets in Japan by the end of this year and in Europe by the end of 2002, some

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four years before similar services are expected in the United States.

The 3G gadgets include phones with global positioning satellite receivers, which will provide users with their exact location and alert them to stores and services available in their vicinity; phones with digital video cameras enabling videoconferences; and phones that download and play movie clips and music files.

"This next stage in the growth of the communications business will be in the mobile multimedia and location-based services," said Dr. Keiji Tachikawa, president of NTT DoCoMo of Japan, who jokingly predicted that there would be some 360 million 3G units sold in Japan by 2010 including 10 million carried by pets and 60 million embedded in bicycles.

Some people here, however, see the marketing hype and wild predictions as mere posturing.

"I can't say that we have received any orders for 3G technology yet," said Ian Smythe, manager of the mobile components group for **Hitachi**, which supplies processors to handset vendors like Ericsson and Panasonic. Mr. Smythe said he believed that even Japan would sign up less than 100,000 by the end of the year because the cost of the equipment is likely to be extremely high until manufacturers go into mass production sometime in the next two to three years.

Indeed, such promises of new services have been made and broken in the past. Consumers in Europe are still waiting for handsets some 18 months after the introduction of GPRS, or 2.5-Generation, technology, which brings high-speed e-mail and data transfer to cellular phones.

Certainly, the European cellular market is not growing at the pace that the providers originally hoped and profitability has been impeded by the introduction of low-cost "pay as you go" services and the costs of building the infrastructure. Now European providers are eyeing the American market.

Sir Richard Branson said that his company, Virgin Mobile, would invest \$1 billion building Virgin Mobile US. He also confirmed that the company was discussing a partnership with either **AT&T** or **Nextel Corporation**.
Nextel Communications
Incorporated

"I want to see Virgin Mobile in 10 countries across five continents by the end of next year," Sir Richard said during a speech on Tuesday.

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