

FOR EMERGING COUNTRIES, CELLULAR IS NO LUXURY

Two years ago, the Hungarian village of Uri, 25 miles south of Budapest, was in trouble. Most of its 2,700 residents had been thrown out of work when the local truck-parts factory went bankrupt. Their best hope was a startup headed by entrepreneur Jozsef Nagy that manufactures lamps and electrical fixtures. But the company was so constrained by the town's only phone—it was a ramshackle, hand-cranked model—that Nagy had to spend seven days a week driving around the country taking orders.

Then one day, he paid \$2,300 for a cellular phone. Suddenly, orders started coming to him. Today, he runs a

state-owned Hungarian Telecommunications Co. (HTC) and U.S. West Inc., expects to complete its nationwide system. That's just four years after the venture began, and the cost is estimated at a relatively modest \$85 million. Since starting up in October, 1990, Westel has signed up more than 24,000 subscribers. For one-third of them, the mobile phone is their only one.

Nobody expected Westel, Eastern Europe's first and largest mobile system, to take off so quickly. "This was unknown territory," says General Manager András Sugár. But it is rapidly becoming part of the fabric of daily life. Near the impoverished town of

tomers. "The usage rate is incredible," says Steven E. Andrews, head of U.S. West's non-U.S. wireless operations. As a result, Westel more than doubled its revenue, to \$60 million, in 1992, and it broke even in 1991—two years ahead of schedule. Andrews now thinks his \$10 million investment could return 20% to 30% pretax over 10 years, up to twice what U.S. West earns at home. Most of the profits, however, are being reinvested to expand the Hungarian network.

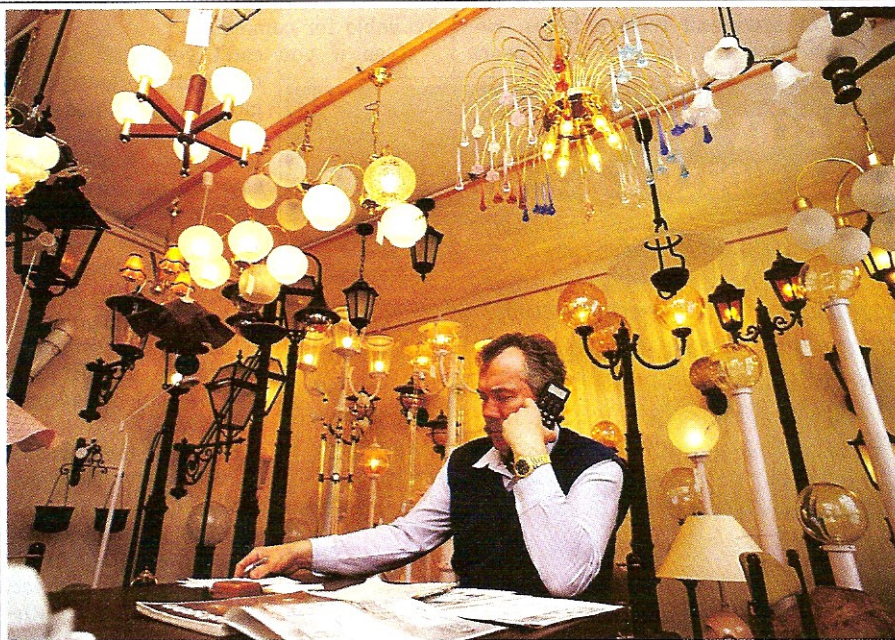
GO-GO ECONOMY. Encouraged by results in Hungary, Andrews has aggressively pursued other franchises. U.S. West now has deals in the Czech and Slovak republics and in Moscow, St. Petersburg, and 11 other Russian cities, making it the biggest cellular player in Eastern Europe.

And that experience puts the Baby Bell in position for even juicier contracts. Westel is a good bet to win one of two licenses for new digital mobile service to be awarded sometime this summer. And, when the government sells off about 30% of HTC next year under a sweeping privatization plan, U.S. West could have an inside track against other likely bidders, such as American Telephone & Telegraph, France Telecom, and Deutsche Bundespost Telekom.

For cash-strapped HTC, cellular plays a critical role. The company has a goal of boosting phone use by the turn of the century from today's 13 lines per 100 people to 30, which is close to Western European levels. So far, Westel's system has barely made a dent in the list of more than half a million people waiting for a phone, but the start of two high-capacity digital mobile networks as soon as next year could add 200,000 cellular subscribers by 1996. "It could be a major breakthrough," says HTC General Manager Pál Horváth.

For ordinary Hungarians, who earn about \$250 a month, \$2,000 for a handset and \$1,000 in hookup fees put cellular phones out of reach. But for entrepreneurs in Hungary's go-go economy, almost no price is too high—when the alternative is no phone at all. Like Nagy, three-quarters of subscribers use their phones to run businesses, and 14% say they would go bankrupt without them. Says Nagy, it's "something we never knew we were missing."

By Jonathan B. Levine in Budapest



"WE'D ALL BE DEAD DUCKS": MOBILE PHONES HELPED SAVE NAGY'S LAMP WORKS IN HUNGARY

400-employee, \$2.5 million business, mostly from his red Honda Accord. Back in the office, he has four more mobile phones. "Without the phones," Nagy says, "we'd all be dead ducks."

While Westerners are dabbling with remote data-base access and other wireless frills, mobile phones have become a basic survival tool for emerging nations. From Indonesia and Pakistan to the former Soviet bloc, cellular operators are swooping down and setting up wireless networks. They're creating modern, reliable phone links almost overnight—instead of the decades it takes to upgrade crumbling or inadequate wired systems.

By the end of this year, Hungary's Westel Radiotelefon, a joint venture of

Miskolc, in northeastern Hungary, dairymen use Westel phones to drum up business for once-dying farms. A Catholic charity has opened food-relief shelters in remote villages for the first time, relying on wireless connections to maintain supplies. And in the central district of Kunadacs, Dr. Kalman Farkas dispatches ambulances from his car phone: His region of 140 square miles has only 30 wired phones. "We're saving lives," he says.

Westel has been an unexpected boon to U.S. West, which owns 49% of the venture. At 1,000 a month, customers are signing up twice as fast as expected, and they talk on their phones more than six hours a month, or three times the Western average for cellular cus-