

This Week's Stories

Verizon Seeking Judgment on 'Most Reliable' ad Claims

July 28, 2009

Verizon Wireless filed a lawsuit against chief rival AT&T Mobility, asking a U.S. judge to determine whether its "America's Most Reliable 3G Network" ads are truthful, a claim AT&T has said is misleading.

Verizon filed its lawsuit in the U.S. District Court in Manhattan in response to AT&T's claims that Verizon's advertising was false could not be supported. On July 1, according to the claim, AT&T filed a challenge with the National Advertising Division of the Council for Better Business Bureaus, and sought to have Verizon's advertising declared false. However, Verizon countered that its claims of having "America's Most Reliable 3G Network," "America's Best 3G Network" and "America's Most Reliable Wireless Network" are "truthful, accurate and substantiated," and are not in violation of the trademark law known as the Lanham Act.

Verizon said that AT&T's claims were based on a false premise that speed is an essential element in measuring network reliability.

"AT&T's claim that speed is an essential component of 3G network reliability and that its formula is the proper standard for measuring 3G network reliability is without any support whatsoever," Verizon said in its filing. "Neither the normal and customary usage of the term 'reliable,' nor any established industry standard, requires that speed be included in measuring the reliability of a 3G network."

AT&T offered a rebuttal, naturally.

"Verizon's claim that speed is not a relevant factor to a reliable 3G network is preposterous," AT&T spokesman Mark Siegel said in a statement, according to *Reuters*. "Data network speed is an essential factor to consumers when it comes to data transmission on their wireless devices. The 3G reliability claims made in ads by Verizon Wireless are false and misleading."

The issue highlights the intense competition between the nation's two largest carriers. Verizon Wireless passed AT&T Mobility recently as the nation's largest wireless operator in terms of subscribers when it acquired Alltel. However, AT&T gained a small edge in the second quarter of this year, posting more net subscriber additions than Verizon.

Further, Verizon's lawsuit represents the latest squabble over advertising claims in the wireless industry. In the past, Sprint Nextel, Verizon Wireless and Cingular Wireless have argued over similar issues.

<http://www.fiercewireless.com>

Product & Service News

AT&T CEO: iPhone Won't Be Exclusive Forever

July 24, 2009

AT&T knows it won't always be the exclusive provider of Apple's iPhone, and the wireless carrier could face challenges in acquiring new subscribers without it.

Speaking at Fortune's Brainstorm: Tech conference Thursday, AT&T CEO Randall Stephenson said it is not realistic to expect the company to be the sole iPhone provider forever. The touch-screen device has been a major attraction for the last two years, and it has poached numerous subscribers away from rivals like Verizon Wireless, Sprint Nextel, and T-Mobile. For the second quarter, AT&T added 1.2 million new subscribers, and about two-thirds of those signed up for an iPhone.

While AT&T is in the middle of an exclusive deal with Apple that it reportedly wants to extend, rumors persist that Apple will strike a deal sooner or later with Verizon (NYSE: **VZ**). Having iPhones for multiple carriers is likely the only way Apple can significantly grow its subscriber base in the U.S. market, and the move would enable Verizon to deal a blow to a major competitor. Stephenson did not go into details about negotiations with Apple, but he said he's pleased with the agreement so far.

"On balance, I think it works really, really well -- maybe as well as any strategic partnership we have," Stephenson said of the deal with Apple.

AT&T has positioned itself as the carrier for smartphones, and this could help it draw new subscribers when it no longer is the only place to get an iPhone. A recent ComScore study said it had twice as many smartphone users as other carriers. While the iPhone is a major reason for this, AT&T arguably has the best lineup of smartphones of any U.S. carrier with messaging-centric devices like the BlackBerry Bold and touch-screen handsets like the LG Incite.

Additionally, AT&T's network uses relatively standardized technology and spectrum that's appealing for handset makers because they don't have to make major adjustments to their phones. T-Mobile also uses GSM for its phones, but its growing 3G network uses spectrum that's not used by many carriers around the world. This means a smartphone maker would have to make significant changes to a handset to get it on T-Mobile's network.

<http://www.informationweek.com>

Time Warner Cable Pinpoints Two WiMax Markets

July 29, 2009

Time Warner Cable Inc. expects to launch WiMax services in four markets before the end of the year, starting this fall in Charlotte, N.C., and Dallas.

"You will hear a lot more about this as we build up to the launch this fall," said TWC president and CEO Glenn Britt, who revealed the news this morning during the MSO's second-quarter earnings call. He didn't name the other two markets being planned.

As one of the MSOs investing in Clearwire LLC, Time Warner Cable can piggyback its own mobile WiMax service on Clearwire's network. Fellow investor Comcast Corp. is doing just that with High Speed 2Go, which has launched in Portland and, just yesterday, in Atlanta.)

ClearWire's other cable investor is Bright House Networks.

Britt didn't offer up any product names or pricing details, but suggested that TWC, like Comcast, will integrate the WiMax offering with its Docsis cable modem product, giving subscribers multiple options for receiving content. "We see wireless as complementing wireline," Britt said. TWC, which has mothballed a metered broadband test amid protests, is also closing in on its first deployment of Docsis 3.0 in New York City.

Britt said TWC is "close" to that launch and that the MSO "will ramp up our investment in this technology in coming quarters." Earlier, the operator suggested its first wideband tier would offer downstream speeds of up to 50 Mbit/s at \$99 per month.

Running the numbers

As expected, subscriber growth slowed for new services, but TWC appears to have weathered a second quarter marked by the ongoing rough economy.

Revenues rose 4 percent to \$4.47 billion, while net income increased to \$316 million (89 cents per share), versus \$277 million (85 cents per share) a year ago.

Shares were down almost 4 percent today, to \$32.59.

As expected, TWC bled some basic video subscribers -- 57,000 of them -- in the second quarter. But that was a tad better than the 62,000 analysts were expecting, helped in part by a gain from the digital TV transition (the MSO thinks it got 60,000 new video subscribers as a result).

Still, TWC managed to grow overall video average revenue per user (ARPU) 4.4 percent (to \$68.98), 1 percentage point higher than expectations.

TWC added 94,000 high-speed data customers, slower than before but in line with expectations. The story was similar for phone customers, with TWC adding 113,000 in the quarter, giving it a total of 4.1 million.

"Cord cutting is real," TWC chief operating officer Landel Hobbs said, wondering if that would change once the economy improves. But the trend puts credence in the company's decision to pursue a wireless strategy, he said.

A bright spot for TWC is in the area of business services, with second-quarter revenues up 16 percent from the previous year, to \$223 million. That segment represents just 5 percent of total revenues, but accounted for about 18 percent of total revenue growth in the period, TWC said.

<http://www.lightreading.com>

AT&T, Verizon Bolster WiFi Offerings

July 29, 2009

AT&T and Verizon appear to be ratcheting up their WiFi strategies, with each announcing expanded WiFi offerings for their current customers.

First, Verizon announced earlier this week that customers of its wired FiOS and high-speed Internet services will be able to access for free more than 100,000 hotspots through a renewed agreement between Verizon and Boingo Wireless.

However, the deal does not include customers of Verizon Wireless. A Verizon Wireless spokeswoman noted the wireless carrier was not referenced in the announcement (which originated in the carrier's wireline division) and declined to comment further.

However, that's not to say Verizon Wireless remains opposed to WiFi. Indeed, the carrier offers a number of smartphones that feature WiFi and has said it considers the technology complimentary to its wide area wireless network.

As for AT&T--which has long offered WiFi access to both its wireline and wireless customers--the carrier announced yesterday a new agreement with retailer Barnes & Noble to offer free WiFi to all of the store's shoppers (previously it was only available for free to AT&T customers). Interestingly, the deal also includes an e-book component; WiFi users (as well as iPhone and BlackBerry owners) will be able to access 700,000 Barnes & Noble e-books. The news trails on the heels of AT&T's WiFi performance in the second quarter. The carrier said it handled nearly 15 million WiFi connections on its network, a 41 percent increase over the first quarter.

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Will Cablevision Pursue a Wireless Voice Service?

July 31, 2009

It looks like another cable company is swimming in the wireless waters. During its earnings conference call, Cablevision hinted it may launch a wireless voice service. "I think that a wireless voice network riding on top of a wireless data network is inevitable," Cablevision COO Tom Rutledge said during the call. Last year, Cablevision announced plans to spend more than \$300 million to roll out WiFi in New York and Long Island. It's unclear exactly how Cablevision would move forward with a voice play, though, and whether it would include a cellular component. However, Rutledge said "there is a significant opportunity there to create a voice business with very little capital expenditure."

<http://www.fiercewireless.com>

Corporate Partnerships, M&A

Sprint-Nextel to Acquire Virgin Mobile USA

July 28, 2009

Sprint Nextel, the third-largest US mobile network operator, unveiled a \$420m deal on Tuesday to acquire **Virgin Mobile USA**, the wireless phone company in which Sir Richard Branson's Virgin Group is the largest shareholder.

The all-stock deal valued Virgin Mobile USA's equity at \$5.50 per share, representing a 31 per cent premium to its closing price on Monday.

The transaction represents a further retreat from the mobile phone market for Sir Richard's Virgin group. Virgin began establishing mobile businesses in the 1990s but since 2006 it has sold equity stakes in Australia, the UK and Canada. It is focusing on its mobile operations in India, France and South Africa.

Sprint has been struggling to stem customer defections from its core post-paid mobile business following a disastrous \$36bn merger with Nextel in 2005.

The Virgin Mobile USA transaction should enable Sprint to more than double its customers on pre-paid packages. Virgin Mobile USA had 5.3m pre-paid customers at the end of March while Sprint's Boost unit had 4.3m.

Sprint will also be using the Virgin brand. Dan Hesse, Sprint's chief executive, said: "The acquisition of Virgin Mobile USA positions Sprint for even greater success in the pre-paid wireless segment."

"Pre-paid is growing at an unprecedented rate with consumers keenly focused on value. Virgin Mobile is an iconic brand in the marketplace that will complement our Boost Mobile brand."

Sprint's Boost, and its rivals **Leap Wireless** and **MetroPCS**, have seen strong growth in pre-paid services that offer unlimited calls for a monthly fee.

During the economic downturn, consumers have increasingly turned to pre-paid services as a means to cut their mobile phone bills.

Sprint already provides the infrastructure for Virgin Mobile USA, which is one of the last surviving US mobile virtual network operators.

Sprint said it would manage Boost and Virgin as separate, complementary pre-paid brands in one unit led by Dan Schulman, Virgin Mobile USA's chief executive, who will report to Mr. Hesse.

The \$420m deal valuation excludes Sprint's existing 13 per cent stake in Virgin Mobile USA.

Virgin group owns 28 per cent of Virgin Mobile USA, while public shareholders have 43 per cent. South Korea's **SK Telecom** owns 15 per cent.

After a rocky start in 2002, Virgin Mobile USA has begun to improve its performance. In May it raised its guidance for 2009 earnings before interest, tax, amortization and depreciation to \$127m-\$142m, from a March forecast of \$117m-\$132m.

<http://www.ft.com>

2-Courts Approve Nortel Wireless Sale to Ericsson

July 28, 2009

The \$1.13 billion sale of Nortel Networks' (NRTLQ.PK) prized wireless assets to Swedish telecoms equipment maker Ericsson (ERICB.ST) received the blessing of Canadian and U.S. courts on Tuesday, with a U.S. bankruptcy judge praising the bidding process. It remained unclear whether the Canadian government will intervene in the deal now that courts have allowed it to go ahead.

Ericsson won an auction for the key CDMA and next-generation LTE wireless technology assets of Canada's bankrupt Nortel early on Saturday, beating out Nokia Siemens Networks NSN.UL and private equity firm MatlinPatterson.

The Delaware and Ontario court proceedings were held in conjunction and connected by video link-up.

Losing bidders and Nortel creditors can appeal the courts' ruling for up to 21 days.

"It's rare for a bankruptcy judge to allow himself to be enthusiastic, but I'm enthusiastic about this process," the Delaware court judge said after the three-hour hearing, praising the efficiency of the sale.

Earlier in the day, Nortel said in a court filing that objections from suppliers Airvana Inc and Flextronics Corp (FLEX.O) and others had either been resolved or withdrawn.

The deal may still need the approval of the Canadian government, which has been lobbied by Canadian BlackBerry maker Research In Motion (RIM.TO)(RIMM.O) to block the sale. RIM argues that keeping Nortel's technology in Canada is vital to national security.

Canada's leading political parties have waded into the debate, turning the sale into an issue of national policy and pride and questioning how much Canada is doing to support its technology industry.

The minority Conservative government of Prime Minister Stephen Harper, potentially facing an election later this year, came under increasing pressure on Tuesday to block the deal.

Observers say the government may lose votes if it lets the assets of Nortel, once a national technology champion, leave Canadian hands.

Industry Minister Tony Clement has so far not ruled out intervening in the transaction but would not comment on any course of government action until after the court hearings.

Under the Canada Investment Act, any foreign takeover of a Canadian business with assets of more than C\$312 million automatically triggers a government review.

The Ericsson acquisition would not likely trigger an automatic review of the deal because it is not a foreign takeover of a Canadian company, only a part of a company.

However, Clement can review the deal at his discretion, and under the law cannot comment until that review is complete.

"We will be mindful of the (21-day) appeal process as well as our ICA (Investment Canada Act) process. Our hope is that these processes and any other potential regulatory checks could run concurrently," said Darren Cunningham, a spokesman for Clement.

On Monday, a source said that RIM, which claims Nortel blocked its \$1.1 billion approach for the wireless assets last week, has held talks with Nortel about buying the next-generation wireless patents that were not part of the wireless asset sale to Ericsson.

<http://www.reuters.com>

Verizon Wireless and Qualcomm Announce Joint Venture to Provide Advanced M2M Solutions

July 28, 2009

Qualcomm Incorporated and Verizon Wireless today announced an agreement to form a joint venture to provide machine-to-machine (M2M) wireless communications and smart services offerings across a wide variety of market segments, including healthcare, manufacturing, utilities, distribution and consumer products. Capitalizing on the growth of M2M and smart services, the joint venture (name still to be determined), which will be equally owned by Qualcomm and Verizon Wireless, will be well positioned to provide a single source for end-to-end M2M solutions.

Smart services are the new services and business models enabled by M2M capabilities. For example, smart grid technology enables utilities to wirelessly connect to their grid assets, such as circuit breakers, transformers and other sub-station equipment. This wireless monitoring capability allows them to develop interactive utility networks that are more intelligent, resilient, reliable and self-balancing.

"The Verizon Wireless vision for bringing the benefits of 'everything connected' to the marketplace started with the introduction of the open development business and the selection of LTE technology for our 4G network," said Anthony Lewis, vice president of open development at Verizon Wireless. "We understand that no single company will be able to provide every aspect of the new M2M ecosystem on its own. This distinctive partnership with Qualcomm allows us to swiftly build on the strengths of each company's M2M strategy. The JV's focus on unlimited innovation will enable the production of next-generation products and services that will release the full power and potential of our network for customers."

The joint venture will be led by M2M industry leader Steve Pazol, who previously served as vice president of Global Smart Services at Qualcomm. Qualcomm has provided a variety of M2M solutions that have added "always-on" mobile connectivity to assets, providing access to network intelligence and benefiting enterprise customers.

"M2M is a rapidly growing market projected by some analysts to reach more than 85 million connections globally by 2012," Pazol said. "The next five years will be a significant period of innovation in M2M. Qualcomm and Verizon expect to create a company focused in evolving niche aftermarket strategies to embedded product standardization strategies, driving down costs, increasing performance expectations and enabling impactful new business models."

The new joint venture will leverage Qualcomm's advanced connectivity technologies and Verizon Wireless' expertise and simplified device certification process. The joint venture will deliver seamless, fully integrated M2M communication with global connectivity. Key new capabilities will include cloud computing solutions to automate device provisioning, and to track, monitor and manage assets. Custom white label applications for OEM customers, productized applications for end-use markets, new diagnostic tools for monitoring network health and device performance, data aggregation services, back office integrations and other professional services required to deliver whole solutions also will be provided.

<http://sev.prnewswire.com>

Industry Reports

Report: GPS Smartphone Growth Accelerating this Year

July 29, 2009

Smartphone sales are expected to outpace the wider handset market, and analysts expect the devices to generate significant market changes. But what about the features smartphones enable? According to new research from Strategy Analytics, worldwide GPS smartphone shipments will grow 34 percent this year, from 57 million units in 2008 to 77 million units in 2009. What is driving GPS adoption? According to the research firm, it's both increasingly widespread consumer acceptance of personal navigation devices and the proliferation of mapping services on smartphones such as Apple's iPhone, Nokia's Nseries phones and Research In Motion's BlackBerry devices.

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