

This Week's Stories

Rumor Mill: Should Microsoft buy Palm?

August 3, 2009

Speculation that Palm will be scooped up by a well-capitalized tech company has intensified since the well-received release of the Palm Pre and the company's new operating system, webOS. While most of the commentary has centered around Dell possibly acquiring Palm, recent speculation pegs Microsoft as a potential suitor.

"Microsoft should abandon (it's digital music player) Zune and follow Apple's strategy to try to make its presence felt in the high-growth smartphone sector," George Kurian, a vice president at Tradition Capital Management, recently told *MarketWatch*. To do so, he suggested the software giant simply purchase Palm to bolster its smartphone efforts.

Such a move could be considered a thumb in the eye to Microsoft rival Apple, since Palm is now led by Jon Rubinstein, who was formerly the senior vice president of Apple's iPod division.

However, as *CNET's* David Carnoy notes, Microsoft is already heavily involved in the smartphone market--unlike Dell--and continues to upgrade its Windows Mobile platform. Indeed, Microsoft executives have promised the company's Windows Mobile 6.5 platform will provide a better browsing experience than the iPhone.

But there is precedent for a Microsoft purchase of Palm and the webOS. Microsoft in 2008 purchased Danger, which provided the operating system for T-Mobile USA's popular Sidekick line of phones.

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Analyst: Freescale Abandons Plans to Sell Cellular unit

August 4, 2009

Semiconductor firm Freescale has given up plans to sell its cellular unit and instead will scale back the business, according to a report from Will Strauss at Forward Concepts.

The company last year put the business up for sale, but apparently failed to find a buyer willing to pay what it was asking. Strauss said in a recent report that the company will continue to run its cellular operations--albeit slimmed down--and will continue to produce iDEN kit for Motorola and Research In Motion.

"Staff reductions have brought the division down to a more appropriate size. Freescale's cellular revenues in the second quarter were up 45 percent to the \$138 million

level, attributable to Sprint Nextel's promotion of its flat-rate 'Boost' (iDEN) service," Strauss wrote. However, the business' long-term outlook is not bright, he said.

"We estimate that about 3.8 million iDEN handsets will ship in 2009, but the long-range prospects are not good as this market will continue to decline as 3G continues its worldwide buildout," Strauss wrote.

Freescale representatives were not immediately available for comment.

Freescale had an operating loss of \$345 million in the second quarter, wider than an operating loss of \$137 million in the year-ago quarter. The firm is not the only chip maker to reorganize its cell phone business; Texas Instruments shifted away from making baseband chips for mobile phones, and is hoping to compensate with sales of application processors for smartphones.

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AT&T pays Sprint \$59M in Spectrum Swap

August 5, 2009

AT&T Mobility will pay Sprint Nextel \$59 million for spectrum in parts of Colorado, Oklahoma, Florida and elsewhere. The spectrum exchange between the two Tier 1 carriers was recently approved by the FCC and Sprint disclosed the value of the transaction in its recent 10-Q filing with the Securities and Exchange Commission.

"The spectrum swap mentioned in the Q is of a type that has been a common practice in the industry--carriers trade/sell bits and pieces of spectrum to each other in areas where a carrier has an excess of capacity," wrote Sprint spokesman James Fisher in response to questions from FierceWireless. "In this case, the transaction involved the exchange of some Sprint 10 MHz licenses in Minneapolis, Oklahoma City, Kalamazoo, Pueblo (CO), Bend (OR), Routt County (CO) and Grand County (CO) for AT&T's 5 MHz license in Tampa, 2.5 MHz license in Knoxville and some cash."

In a filing with the FCC, AT&T said "the additional spectrum will enable AT&T to increase its system capacity to enhance existing services, better accommodate its overall growth, and facilitate the provision of additional products and services to the public in the areas of Colorado, Michigan, Minnesota, Wisconsin and Oklahoma. ... The additional spectrum will also facilitate AT&T's continued deployment of GSM/EDGE and HSDPA/UMTS technologies."

Interestingly, the deal includes spectrum in Oklahoma City, a market where AT&T was forced to divest spectrum not once but twice--first as a condition of its merger with Cingular Wireless four years ago and then in 2007 as part of its acquisition of Dobson. AT&T argued that the FCC should approve its acquisition of the Oklahoma City

spectrum from Sprint because neither its merger with Cingular nor its acquisition of Dobson contained "a prohibition on re-acquisition of divested spectrum," and because of what AT&T said was robust wireless competition in the Oklahoma City market. The carrier pointed out that Verizon Wireless, Sprint, T-Mobile USA, US Cellular and Clearwire all own spectrum in Oklahoma City.

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Product & Service News

Mobile Data Startup Raises \$9 Million

Aug 6, 2009

Startup MobileIron came out of stealth mode Thursday, and the mobile technology company is attempting to capitalize on the growing number of companies using smartphones.

The company has raised \$9 million in venture funding, and it wants to provide businesses with specialized data in order to increase smartphone security and potentially cut costs. The company's Virtual Smartphone Platform is a device-agnostic tool that runs in the background of the device, and it relays usage information to an application behind the corporate firewall.

This real-time data can provide valuable insight into how employees are using their handsets and allow businesses to exert more control over the smartphones, MobileIron said. Instead of pre-approving smartphones for employees and handling the cost overruns afterwards, a company could monitor employees and alert IT departments when they surpass certain thresholds.

This data can also be used by companies to determine how to efficiently allocate resources for their enterprise mobility strategies. For example, MobileIron's platform could determine if a company's wireless carrier frequently drops or misses calls, and then make changes accordingly.

"There is tremendous pressure on IT to keep up with user demand while containing costs," said Bob Tinker, CEO of MobileIron, in a statement. "MobileIron's innovative platform gives CIOs the confidence to say 'yes' to mobility without sacrificing either data security or their expense line."

The company said there is a growing need for this kind of service because employees are increasingly using their own smartphones to access corporate data. While most carriers offer some form of data and voice metrics for enterprise customers, MobileIron said these portals are often limited.

<http://www.informationweek.com>

Industry Reports

Sprint: Prepaid not Cutting into Postpaid Base

August 7, 2009

Sprint Nextel CEO Dan Hesse said that the company's Boost Mobile prepaid unit is not cannibalizing its postpaid operations. In an interview with the Associated Press, Hesse noted that only "a low single-digit percentage" of Sprint's new prepaid subscribers are coming from the postpaid side.

When Boost first introduced its \$50 unlimited prepaid plan earlier this year, there were fears that it might cut into Sprint's postpaid business. The prepaid operations have boomed, but Sprint has continued to lose contract customers at a steady clip. In the second quarter, Sprint lost 991,000 net postpaid subscribers and gained 938,000 prepaid subscribers.

In the AP interview, Hesse predicted the balance would shift back to postpaid once the economy improves. He reiterated that Boost remained a profitable business for Sprint, and said that there were no plans to cut the price of Boost's unlimited play in order to match falling prices from the likes of Leap Wireless, MetroPCS and TracFone Wireless. "We think it's priced where it should be," he said.

Both Leap and MetroPCS suffered from weaker financials and slowing net subscriber additions in the second quarter. Yet the prepaid market continues to be a growth driver for some carriers; of T-Mobile USA's 325,000 net subscriber additions in the second quarter, 268,000 were prepaid.

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iPhone Rakes In a Third Of Mobile Phone Market Profits

August 7, 2009

Apple's iPhone might get only 8 percent of the revenues generated by the mobile handset revenue but its ruthless efficiency is such that the smartphone accounts for a disproportionately high 32 percent of the industry's profits.

In other words, one dollar out of every three dollars the mobile phone industry generates goes in Apple's pockets during the first six months of 2009. This is according to a research carried out by Bernstein Research analyst Toni Sacconaghi and published by Digital Daily.

The analyst reckons that the mobile industry generated around \$66 billion in the first half of the year with an operating profit of \$6.4 billion. While Apple accounted for

only \$5 billion worth of revenues, its operating profits reached more than \$2 billion.

The current situation is reminiscent of Apple in the PC market where the company earns 25 percent of the industry's profits while generating only 6 percent of the revenues.

Sacconaghi suggests that it will be extremely difficult to dislodge Apple because it has already established itself as the de-facto standard in the consumer smartphone market, adopting the same strategy that made it a winner in the portable audio market with the iPod.

Apple, Sacconaghi continues, will adopt a top down approach and introduce cheaper and simpler iPhones in the future as it maintains its grips on the lucrative, high end market and explores more mainstream segments.

Bernstein Research figures also show that Apple has the biggest operating profit of all handset manufacturers edging Nokia which has an operating profit of just over \$1.92 billion although its revenue, at more than \$17 billion is three times bigger than Apple.

<http://www.itproportal.com>

Emerging Technology

Sprint Promises to go Green with New Initiatives

August 6, 2009

Sprint Nextel announced a series of initiatives designed to promote its eco-friendliness. As part of that plan, the company will launch a new phone from Samsung, the Reclaim, which is made from "bio-plastic" materials, according to the companies.

Sprint said it is the first U.S. wireless carrier to set up environmentally friendly design criteria for future devices and accessories. The company will work with device and accessory suppliers to make products that reduce the use of potentially hazardous materials, are energy efficient, more recyclable and have more eco-friendly packaging. Sprint also said that, beginning in September, it will add a special section to all its stores that highlights its eco-friendly approach.

Additionally, Sprint said it would cut its paper usage by 30 percent during the next five years.

As for the carrier's new Samsung phone, Sprint will launch the Reclaim Aug. 16 for \$50 with a two-year contract and after a \$50 mail-in rebate. The messaging phone has a bio-plastic shell made from corn that makes up 40 percent of its outer casing. The phone comes with no paper user manual, and the outer packaging and the phone tray inside the box are made from 70 percent recycled materials. Additionally, when customers buy the Reclaim,

\$2 of the proceeds will go to the Nature Conservancy's Adopt an Acre program, which supports land conservation across the United States.

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