

This Week's Stories

Reports: Deutsche Telekom Not Going to Make a Bid for Sprint

September 15, 2009

Deutsche Telekom is not going to make a bid for Sprint Nextel any time soon, according to two separate reports. Both the *Financial Times* and *Reuters*, citing anonymous sources, said that the parent company of T-Mobile USA has no immediate plans to acquire Sprint and is holding off on major strategic actions in the U.S. market--for the time being.

The news flies in the face of an article Sunday from the United Kingdom's *Telegraph* newspaper, which said that Deutsche Telekom was considering a bid for Sprint.

However, it's unclear exactly how things are playing out in the upper echelons of Germany's largest telecom firm. According to the *Financial Times*, Deutsche Telekom CEO René Obermann has until the middle of next year to change the fortunes of T-Mobile USA, based on pressures from Deutsche Telekom's two largest shareholders, the German government and private equity firm Blackstone, which are prepared to force changes if necessary. However, the *Reuters* report contradicted the *Financial Times'* assertions about the level of pressure from shareholders on Deutsche Telekom to turn T-Mobile USA around. The *Reuters* report said the company had not made any decisions yet about changes to the U.S. business, and would not be doing so in the immediate future.

"For at least one year the development of the U.S. mobile business will be looked at unhurriedly," one source told *Reuters*, adding that what happened from that point on was uncertain.

"There is no deadline," another source said, referring to the *Financial Times* report.

Deutsche Telekom recently merged its struggling T-Mobile UK division with France Telecom's Orange UK operations. Following that tie-up, speculation has turned to whether the company will make big changes at T-Mobile USA.

In the second quarter, T-Mobile USA posted lower revenues and weaker subscriber growth. Indeed, the U.S. carrier's postpaid net additions made up only 17 percent of T-Mobile USA's customer growth in the second quarter, compared with 39 percent in the first quarter of 2009 and 80 percent in the second quarter of 2008. T-Mobile USA is hoping a major focus on 3G services and smartphones, with associated high-value data plans, will help it recover its footing. T-Mobile USA accounts for about 26 percent of Deutsche Telekom's group revenue.

"There is a debate about whether T-Mobile USA has a temporary problem--global recession--or a strategic one:

that it is simply too small to achieve the necessary economies of scale to be profitable," one person familiar with Deutsche Telekom's shareholders told the *Financial Times*. "Obermann and [T-Mobile USA CEO Robert] Dotson say it is temporary and that a big push into 3G will make it go away. Berlin and Blackstone are skeptical but prepared to go along."

According to the *Financial Times* report, some options that Deutsche Telekom has for revitalizing T-Mobile USA would be to refocus the carrier's operations on prepaid services, or to acquire Sprint or a flat-rate carrier like Leap Wireless or MetroPCS.

A T-Mobile USA spokeswoman declined to comment, noting that the company does not comment on rumors or speculation

<http://www.fiercewireless.com>

Unlimited Wireless Carrier MetroPCS Announces Vendors for 2010 4G LTE Launch

September 15, 2009

MetroPCS Communications, Inc., the nation's leading provider of unlimited, flat-rate, no signed contract wireless communications service, announces that it has selected its infrastructure and initial handset vendors for its second half 2010 4G Long Term Evolution (LTE) Broadband service launch. MetroPCS has selected Ericsson, a world-leading provider of telecommunications equipment and related services to mobile and fixed network operators globally, as its infrastructure vendor for the launch of its LTE service. In addition, MetroPCS has selected Samsung Telecommunications America (Samsung Mobile)¹, the number one mobile phone provider in the U.S.², to provide the Company's initial LTE handset device.

"LTE represents the next generation of wireless technology, and we are proud to be working with two technology leaders in Ericsson and Samsung," said Roger D. Linquist, president, chief executive officer and chairman of the board of MetroPCS. "As the Internet goes 'mobile' we are excited to be at the forefront of this wireless evolution with the building out of our 4G broadband data services. We anticipate to begin offering our 4G LTE services and a dual-mode LTE/CDMA smartphone in our major metropolitan markets in late 2010. When launched, our customers will benefit from our next generation, leading-edge network technology which will enable true high-speed Internet access in the palm of their hand. With the announcement of our LTE launch vendors, MetroPCS will move directly to 4G."

MetroPCS has successfully encouraged customers to cut the cord on their landline phones and enjoy wireless mobility with their unlimited, flat-rate, no signed contract

plans. With its LTE broadband initiative, MetroPCS will provide the ability to cut the cord on the Internet, and subscribers will enjoy a richer HTML browsing experience coupled with multimedia applications that allow a traditional wireline Internet experience directly on their handset.

"Ericsson is honored to be chosen by MetroPCS as their LTE/EPC infrastructure supplier for its LTE service launch," said Angel Ruiz, president and CEO of Ericsson North America. "We look forward to using our leadership in LTE technology to help MetroPCS usher in a new era of communications and transform the mobile-broadband user experience for their customers."

"Samsung Mobile is excited to announce a handset that will be compatible on MetroPCS' high-speed LTE network," said Paul Golden, chief marketing officer for Samsung Telecommunications America. "This mobile device will take the user experience to the next level by offering users a full broadband Internet experience on a LTE infrastructure."

<http://www.businesswire.com>

Paul Allen Sells Wireless Spectrum Licenses to AT&T

September 16, 2009

Paul Allen, the billionaire co-founder of Microsoft Corp., agreed to sell wireless airwaves he acquired in 2003 to a unit of AT&T Inc. for an undisclosed price, according to government filings.

The 24 wireless licenses cover spectrum in parts of Washington and Oregon, including the cities of Seattle and Portland, according to documents filed with the U.S. Federal Communications Commission. Allen holds the licenses through his Seattle-based Vulcan Spectrum LLC.

Allen has invested for years in technology to further his vision of a "wired world," which also included the creation of St. Louis-based Charter Communications Inc., the nation's fourth-biggest cable company. Charter filed for bankruptcy in March and Allen may have used the opportunity to unload his wireless license holdings, said Jim Wiesenberg, a principal at wireless spectrum consulting firm WW Associates.

"What Vulcan really had here is a play in the Pacific Northwest and presumably AT&T has given him an offer he couldn't refuse," said Scottsdale, Arizona-based Wiesenberg.

The filing didn't include the sale price for the assets, which are being acquired by the carrier's AT&T Mobility II LLC unit. David Postman, a spokesman for Allen, said he wouldn't comment until the FCC approves the transaction.

AT&T fell 16 cents to \$26.54 at 4 p.m. in New York Stock Exchange composite trading. The shares have dropped 6.9 percent this year.

C-Block

Michael Coe, a spokesman for AT&T, declined to comment on the financial terms of the transaction. The company is acquiring the spectrum to support the rollout of a fourth-generation wireless technology known as long-term evolution, or LTE, and to meet the demand for mobile services in the Northwest, he said.

The licenses cover the C-block segment of the airwaves within the 700 megahertz frequency, a portion of the spectrum previously reserved for ultra-high frequency, or UHF, television channels. This spectrum was freed up for wireless use when the U.S. government mandated that TV broadcasters switch to digital signals, effective this year.

Vulcan Spectrum also bought licenses in the A-block portion of the spectrum as a participant last year in an FCC airwave auction that raised almost \$20 billion. Vulcan Spectrum's A-block licenses, which also cover the Seattle and Portland areas, aren't included in the proposed sale to AT&T.

<http://www.bloomberg.com>

Ericsson Nails Nortel LTE Acquisition

September 17, 2009

Canadian industry minister Tony Clement has decided against reviewing Ericsson's \$1.13 billion acquisition of Nortel Networks (NYSE: NT)' prized CDMA/LTE unit, in effect approving the sale and disappointing Research In Motion (NSDQ: RIMM), which has complained it was unfairly excluded from bidding on the operation.

The unit is the most profitable piece of Nortel, which has been in bankruptcy proceedings since January. While LTE is just now being deployed in a few worldwide locations, the ultra-high-speed wireless networking technology is expected to eventually dominate the world's mobile phone offerings.

In sealing the fate of the acquisition in Ericsson's favor, Clement noted that Ericsson has been in business in Canada for more than 56 years and has invested more than \$2 billion in R & D in Canada over the past 10 years. "I am satisfied that the assets sold fall well below the threshold required for a review under the Investment Canada Act," Clement told reporters. "Based on all the information presented to me and to the government, there are no grounds to believe that this transaction could be injurious to Canada's national security."

BlackBerry provider RIM wanted the Nortel unit largely for its LTE assets. RIM has paid out more than \$1 billion in patent litigation in recent years and wanted the Nortel assets to defend against any future intellectual property

proceedings. "RIM is disappointed by the government's decision but nonetheless resolved to continue investing in Canada's future and furthering RIM's global leadership in wireless innovation," RIM said in a statement.

Nokia (NYSE: NOK) Siemens Networks had made an initial bid of \$650 million for the CDMA/LTE unit, but interest by Ericsson, RIM, and some outside investors.

<http://www.informationweek.com>

Product & Service News

Comcast Plans to Bring TV Shows to Your Phone

September 16, 2009

Leading U.S. cable operator Comcast Corp said on Wednesday it plans to offer subscribers the option to watch their favorite TV shows on mobile devices through its new wireless Internet service.

The company is also exploring adding a voice option to the wireless package that would put it in more direct competition with mobile phone providers like AT&T Inc. and Verizon Communications Inc.

Comcast recently started rolling out its wireless Internet services in some U.S. cities as part of a joint venture with Clearwire Corp, which uses WiMax technology.

It will be bundling the wireless service with its home Internet package and could eventually include its On Demand Online service, which will let subscribers watch cable shows on the Web.

"I can envision sometimes in the future (On Demand Online) having a wireless component," Comcast Chief Financial Officer Michael Angelakis said at the Goldman Sachs Communicopia conference.

As more consumers increasingly expect to be able to watch video on their home personal computers and on wireless devices such as Apple Inc's iPod and iPhone, cable companies are seeking ways to ensure they do not lose subscribers to free or cheaper On Demand Web services.

Instead the cable companies are collaborating with content providers to let paying TV subscribers watch shows instantly via the Web at no extra charge

Angelakis said there have been discussions about delivering voice products over the next generation of high speed wireless data services -- so-called fourth generation (4G) -- but said it is still too early to reveal details.

If Comcast was to launch wireless voice services on the Clearwire network, it would see a return of the cable company to the mobile phone sector which it exited last year after the collapse of a previous cable company joint venture with wireless operator Sprint Nextel Corp.

Sprint is also a member of the joint venture with Clearwire as well as other cable companies including Time Warner Cable Inc.

<http://www.reuters.com>

Corporate Partnerships, M&A

AT&T: Centennial Deal to Close in Q4

September 15, 2009

AT&T's proposed \$944 million acquisition of Centennial Communications likely will close later than expected, AT&T said. The two companies now expect the deal to close early in the fourth quarter. Previously, AT&T had said that the deal likely would close in the third quarter.

AT&T said that, although the applicable waiting period for a Department of Justice review of the deal has expired, the carrier is still in discussions with the department about the acquisition. The deal also still requires approval from the FCC. Centennial shareholders approved the deal in February.

In July, shares of Centennial plunged after concerns that the deal might be hitting snags in the regulatory approval process. At the time, analysts at Stifel Nicolaus & Co. said that they believed the merger would eventually be approved, but that the terms may be reviewed.

In May, AT&T announced an agreement with Verizon Wireless to sell certain wireless assets of Centennial to Verizon Wireless for \$240 million, a transaction contingent on the closing of AT&T's acquisition of Centennial.

AT&T's purchase of Centennial will give the nation's No. 2 carrier around 1.1 million of Centennial's customers in Puerto Rico, the U.S. Virgin Islands, the Great Lakes region and in the Gulf Coast.

<http://www.fiercewireless.com>

Industry Reports

Study: Retail Experience Better for Smartphone Customers

September 17, 2009

J.D. Power and Associates says as the number of smartphone users grows, wireless carrier stores are providing their smartphone customers with a more satisfying retail experience than users of more traditional handset models.

J.D. Power's semi-annual study finds that satisfaction with the retail experience among smartphone owners averages 15 index points higher (on a 1,000-point scale) than that of traditional wireless handset owners, even though smartphones typically require additional service plan options and have more complex features.

On average, satisfaction with the retail experience among owners of smartphones averages 722, while among owners of traditional models have a satisfaction score of 707.

Smartphone owners are more satisfied than traditional handset owners in all factors, particularly with regard to price and promotion even though smartphone owners pay more for their devices and spending \$23 more per month on average for their service.

AT&T has placed considerable focus on its smartphone line-up, but in the index, it came in below T-Mobile USA, which scored 729. T-Mobile was followed by Alltel, which scored 721. Verizon Wireless was third at 714, followed by Sprint Nextel with 710. AT&T indexed at 700.

The research firm says that overall satisfaction with the retail sales process decreases dramatically when certain key activities are not performed by sales staff. For instance, satisfaction is 139 index points lower when a salesperson fails to offer to explain how to operate a phone, which is particularly important among smartphone users and customers who purchase feature-rich handsets.

Smartphone owners who visit retail stores report spending more than four additional minutes in the store during their most recent visit compared with owners of traditional handsets.

<http://www.wirelessweek.com>

Palm's Pre Smart Phone Fails to Stem Deep Losses

September 17, 2009

Palm Inc. pulled off a successful launch of its Pre smart phone, its latest quarterly results suggest, but the company's forecast raised doubts about the closely watched product's momentum.

The Silicon Valley Company -- which reported its fiscal first-quarter loss nearly quadrupled because it deferred much of the revenue from Pre sales -- projected lower sales in the current period than Wall Street expected. Analysts cited factors that include stiff competition as well as a limited number of sales partners among carriers.

The latest quarter, which ended Aug. 28, was the first full period to reflect sales of the Pre, which was launched June 6 and is based on a new operating system called webOS. Analysts consider the device to be a make-or-break product as the unprofitable company battles rivals such as BlackBerry maker Research In Motion Ltd. and iPhone manufacturer Apple Inc.

Palm didn't break out sales figures for the device, but said it shipped 823,000 smart phones during the quarter, down 30% from a year earlier but more than double the number in the prior period. Analysts estimate the company sold about 500,000 Pre units in the first quarter, about in line or slightly lower than what many had expected.

Palm books revenue from the Pre over 24 months, the estimated period of use for the device. Without that revenue deferral, the company's loss was narrower than Wall Street expected.

But Palm said it expected revenue in the current quarter to be between \$240 million and \$270 million, compared with Wall Street expectations of about \$344 million.

"The weaker projection suggests the momentum for the Pre is turning down," said Ilya Grozovsky, an analyst at Morgan Joseph.

Added Shaw Wu, a Kaufman Bros. analyst: "It seems the launch was quite good, but the sell-through afterwards is more questionable."

The Pre has been well reviewed, but lost some early momentum due to supply constraints. Palm's U.S. sales partner has been Sprint Nextel Corp.; earlier this month, Palm cut the Pre's price by \$50 to \$149.99 with a two-year service agreement with the carrier.

Palm executives say they plan to add other carriers. Verizon Wireless, a joint venture between Verizon Communications Inc. and Vodafone Group PLC, is expected to begin selling the Pre next year.

The company "will face near-term pressures until we transition to a more diversified carrier base and expand our family of webOS products," said Jon Rubinstein, Palm's chief executive officer, during a conference call. "But we are confident we're on the path to success."

Analysts also believe that it is facing greater competition from other smart phones in Sprint's lineup, notably RIM's BlackBerry Tour. Apple's decision to cut the starting price for its iPhone 3G to \$99 just two days after the Pre went on sale also likely hurt some sales.

Analysts expect RIM to report strong quarterly earnings next week. Apple reported a quadrupling of iPhone revenue in its third quarter ended June 27.

"It was a relatively competitive summer," said Tavis McCourt, an industry analyst with Morgan, Keegan & Co. He added that Palm also "fumbled" its marketing with an unpopular ad starring Canadian actress Tamara Hope in a serene setting.

Palm's finance chief, Douglas Jeffries, said the company plans to add additional carriers for its new line of phones in 2010, but declined to identify any.

The company recently unveiled a new phone for younger users called the Pixi, which it says will be available through Sprint in time for the holidays.

For the quarter, Palm reported a loss of \$164.5 million, or \$1.17 a share, compared with a loss of \$41.9 million, or 39 cents a share, a year earlier.

Revenue was \$68 million, compared with \$366.9 million a year ago. If Pre revenue weren't deferred, revenue would have totaled \$360.7 million.

Palm also said Thursday it planned to sell 16 million shares of common stock, in a move to bolster its cash reserves, which were \$211.8 million at the end of August. Palm shares fell 3% to \$14.01 in after-hours trading.

"They're doing it because they need the money," said Ed Snyder, an analyst at Charter Equity Research. "That's not good."

<http://online.wsj.com>

AT&T CEO: Q3 Subscriber Adds Will Surpass Previous Quarter

September 17, 2009

AT&T CEO Randall Stephenson said that the company is on pace to add more mobile subscribers in the third quarter than it did in the second quarter. He also said that regulation of the telecom industry seemed to be tougher under the Obama administration.

"Right now we're on pace in the third quarter to exceed what we did in the second quarter in terms of subscriber adds," he said at a Goldman Sachs conference. AT&T added 1.4 million net new mobile subscribers in the second quarter, ending with 79.6 million total subscribers. Stephenson did not provide specific third quarter figures.

He also said that he thought regulation of the telecom space had grown tighter under the new administration. Just last month the FCC opened a probe into the wireless industry on several fronts, and earlier this summer the *Wall Street Journal* reported that the U.S. Department of

Justice may look into the business practices of U.S. telecom firms such as AT&T and Verizon Communications.

Indeed, Stephenson described the Justice Department's review of AT&T's proposed \$944 million purchase of Centennial Communications as tough and slow process, according to *Reuters*. Earlier this week, AT&T said that the deal likely will close later than expected. The two companies now expect the deal to close early in the fourth quarter. Previously, AT&T had said that the deal likely would close in the third quarter.

<http://www.fiercewireless.com>



120 Madison St. 15th Floor
Syracuse, New York 13202
(315)470-1350
1-888-8KSRINC