

This Week's Stories

Deutsche Telekom Sees No Need for U.S. Consolidation

October 12, 2009

Deutsche Telekom AG Chief Financial Officer Timotheus Hoettges said there's no need for further consolidation of the U.S. mobile-phone market.

"There are four national players in the U.S. market for 300 million households, while in Europe, where we have 350 million households, there are 50-70 operators," Hoettges said, after a conference in Frankfurt today. "We believe in our chances of being the challenger."

Deutsche Telekom's current focus in the U.S. is on expanding its so-called third-generation, high-speed network. The company, Europe's largest phone company, was slow to start building its third-generation offerings in the U.S. This year, it invested \$3.5 billion euros in the network.

"There is no question that we lost customers because many of our customers couldn't get 3G.," Hoettges said. "We now have to make sure that we can capitalize on the network in the top-10 cities where we have invested."

The market for mobile data is booming in the U.S. and "we have to participate in that boom," Hoettges said.

Deutsche Telekom gets 24 percent of its revenue from T-Mobile USA, ranked fourth in the U.S. in terms of subscribers. Sprint Nextel Corp., the No. 3, and T-Mobile have reported falling revenue as larger AT&T Inc. and Verizon Communications Inc. lured away contract customers. Sprint's sales dropped 10 percent last quarter, while T-Mobile's declined 2.3 percent.

Fourth-Generation Network

On the fourth-generation spectrum, Hoettges said the company is still considering options of whether to enter into partnerships, wait for President Barack Obama's administration to auction off more licenses or buy licenses from someone.

"That is not yet decided," he said. "We have to consider all options."

In September, two people familiar with the matter said that Deutsche Telekom is in talks with Clearwire Corp., owned 51 percent by Spring, and with MetroPCS Communications Inc., about getting access to their networks.

Clearwire needs \$2 billion to complete its own fourth-generation network expansion and Deutsche Telekom could provide funding in exchange for access, one of the

people said. MetroPCS and Clearwire each own airwaves suitable for fourth-generation networks, which can provide faster service for Web-equipped phones than their predecessors.

Deutsche Telekom's T-Mobile USA unit hasn't announced its own expansion plans for fourth generation while larger rivals like Verizon and AT&T are upgrading their systems.

<http://www.bloomberg.com>

Sprint Voices Roaming Concerns in AT&T-Centennial Deal

October 13, 2009

Sprint Nextel asked the FCC to require AT&T keep in place CDMA roaming agreements in Puerto Rico for at least 18 months as part of AT&T's still-pending \$944 million purchase of Centennial Communications. The FCC is still reviewing the deal, the approval of which has dragged on longer than AT&T had initially expected.

In a filing with the FCC, Sprint made it clear it is not trying to prevent or delay AT&T's conversion of Centennial's CDMA network AT&T's GSM technology, but that it wants AT&T to maintain enough spectrum in Puerto Rico to support CDMA roaming while Sprint makes other arrangements.

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. The two companies now expect the deal to close early in the fourth quarter, a delay of several months from initial expectations.

Sprint said that, should AT&T decide to shut down Centennial's CDMA network and refuse to honor its CDMA roaming agreements in Puerto Rico, Sprint would look for other CDMA roaming partners, and agreements with those partners would take at least 18 months to put into place. If Sprint could not find a roaming partner, the carrier would require longer than 18 months to address coverage issues, according to the filing.

<http://www.fiercewireless.com>

AT&T Presses FCC to Crack Down on Google Voice

October 14, 2009

AT&T stepped up its campaign for greater federal scrutiny of Google's voice service, reasserting in a letter to the Federal Communications Commission Wednesday that the search giant's Web phone application violates both telecom and net neutrality laws.

Last Friday, the FCC launched an inquiry into Google Voice's blocking of calls and began a review of whether

the application should be regulated as a traditional telephone service, also known as a common carrier. Google has rejected such claims, saying in a blog posting that Google Voice is a Web application and not a telecom service.

Sources at the FCC who spoke on the condition of anonymity said the FCC inquiry focuses on the question of potential violations of telecommunications law. The agency does not plan to look into potential violations of net neutrality -- or open-Internet guidelines -- because officials didn't appear to agree with such claims.

In its 13-page letter, AT&T criticized Google for blocking calls to an ambulance service, community center and tribal community center. AT&T said it tested the Google Voice service and found that calls weren't connected to those phone numbers but worked with other phone services.

"In this case, and contrary to the public pronouncements of Google and its allies, Google's rural call blocking regime is not limited to Google simply blocking calls to 'adult sex chat lines' and 'free' conference calling services to avoid high access charges," wrote AT&T's senior vice president, Bob Quinn, in the letter to the FCC's wireline bureau.

"As communications services increasingly migrate to broadband Internet-based platforms, we can now see the power of Internet-based applications providers to act as gatekeepers who can threaten the 'free and open' Internet," Quinn wrote.

Google and public interest groups have described AT&T's criticism as hypocritical, arguing that the phone giant is trying to get regulators to punish Google for violating the very rules it has pushed against at the FCC.

<http://voices.washingtonpost.com>

AT&T's Wireless Growth Expected To Offset Landline Losses

October 16, 2009

AT&T likely will post stable results for the third quarter, with wireless growth outweighing losses the company is expected to suffer in its traditional landline business. AT&T, which reports its earnings Oct. 22, is expected to score between 1.5 million and 1.7 million net wireless subscriber additions in the quarter, according to an earnings preview from *Dow Jones Newswires*. The additions are expected to be driven mainly by a surge in demand for the iPhone 3GS, which AT&T launched in late June. AT&T's wireless margins will be a key metric to watch; in the past, subsidies for the iPhone have cut into the margins.

The projections mesh with the one AT&T CEO Randall Stephenson recently gave. He said in mid-September that the company was on pace to add more mobile subscribers in the third quarter than it did in the second quarter; AT&T

had 1.4 million net subscriber additions in the second quarter.

AT&T's wireless business produced \$13.2 billion in revenue in the second quarter and it ended the quarter with 79.6 million wireless customers.

<http://www.fiercewireless.com>

Product & Service News

AT&T Launching Nokia Booklet 3G for \$300

October 13, 2009

AT&T Mobility will sell Nokia's first netbook, the Booklet 3G, for \$299.99 when customers sign up for a two-year AT&T mobile data contract. The deal deepens Nokia's relationship with AT&T, one that has been growing steadily over the past several quarters.

The device will cost \$599 for customers who do not opt to go with the \$60-per-month AT&T plan. The subsidy gives Nokia another chance to offer users a high-end Nokia device at a mainstream market price, and further highlights the trend of placing subsidies on devices beyond cell phones.

The Booklet will be available at all Best Buy locations as well as Best Buy Mobile stores, and Nokia said it should arrive in stores by mid-November. Best Buy will begin taking orders online and in stores Oct. 22.

Nokia unveiled the Booklet 3G in late August after hinting it would be getting into the netbook game. The netbook sports HSPA and WiFi connectivity and features a 10-inch glass HD-ready screen, up to 12 hours of battery life and support for Microsoft's Windows 7 operating system with a 1.6 GHz Intel Atom processor.



The Booklet was one of the many devices on hand at CTIA. [Click here](#) for more.

<http://www.fiercewireless.com>

Time Warner Cable Rolls Out Wireless in N.Carolina

October 14, 2009

* To debut wireless '4G' in three N.Carolina cities Dec 1

* Wireless speeds similar to home Internet

Time Warner Cable Inc, the second largest U.S. cable operator, said on Wednesday it would roll out its first wireless 4G network in three cities in North Carolina on Dec 1.

The so-called "fourth generation network" will let the cable company offer wireless Internet connections at speeds of up to 6 megabits per second or similar to the speeds of many home Internet connections.

The first product for Time Warner Cable's wireless launch in Charlotte, Greensboro and Raleigh, is to be Road Runner Mobile.

The service would be Time Warner Cable's first from a joint venture between Clearwire Corp, Comcast Corp and other companies that uses the emerging WiMax high-speed mobile technology.

With many consumers already updating their blogs and watching videos while on the move with mobile devices, cable companies are rolling out wireless services in order to avoid becoming irrelevant by restricting subscribers' access to their homes.

Comcast, the largest U.S. cable operator, said in June it will be rolling out its version of the wireless service.

<http://www.reuters.com>

Mobile TV Standard Adopted, Trial Broadcasts to Follow

October 16, 2009

The Open Mobile Video Coalition has adopted the final broadcast standard for mobile digital television after three years of collaboration with broadcasters and manufacturers.

Adoption of the standard will pave the way for U.S. broadcasters to roll out digital program services on devices ranging from in-car screens to portable DVD players and mobile phones.

Trial broadcasts are expected to begin by the end of 2009, with the goal of preparing for formal broadcasting tests in North America beginning early next year.

"To meet the technological challenges of sending digital television services to mobile and handheld devices within

the existing DTV transmission was an impressive achievement made possible by industry cooperation," said Mark Richer, president of the Advanced Television Systems Committee (ATSC), which created the standard.

Devices embedded with an ATSC receiver can display programs from DTV broadcasters. Mobile digital television uses the same spectrum that local television stations use to broadcast high-definition programming.

The adoption of the standard allows small-screen versions of that programming to be displayed on mobile devices. Other services eventually will become available, including live emergency alerts and interactive programming.

Already, one company has come out with an ATSC-compatible chipset. Samsung Electronics has applied "significant resources to ATSC standardization" beginning in 2005, and today announced a chip compatible with the new standard.

<http://www.wirelessweek.com>

Mergers & Acquisitions

Cisco is Buying Starent for \$2.9 Billion to Bolster its Wireless Networks Business

October 13, 2009

Another week, another \$3 billion acquisition by Cisco Systems.

On Tuesday, Cisco announced that it would pay \$35 a share, or \$2.9 billion, for Starent Networks, which makes products that help wireless telecommunications companies ship large volumes of data to phones and computing devices.

The deal represents about a 20 percent premium over Starent's closing price on Monday of \$29.03 a share. After the announcement, Starent's shares rose \$4.88, or almost 17 percent, to close at \$33.91 on Tuesday.

For Cisco, the acquisition extends its bet that consumers and workers will keep pulling down ever larger amounts of data onto smartphones and laptops over wireless networks. Starent's hardware and software products make it possible to create and manage high-speed data services, and the company counts carriers like Verizon Wireless, Sprint Nextel, Vodafone Group and China Telecom as customers.

"We have had a huge explosion in data traffic," said Ned Hooper, Cisco's chief strategy officer. "We expect the market for mobile data to double every year through 2013."

Cisco, which is based in San Jose, Calif., has also forecast that by 2013, video will account for about 60 percent of the data traveling across mobile networks.

The company's recent deals reflect that optimism about the growing importance of video traffic. Two weeks ago, Cisco began a tender offer to buy Tandberg, a Norwegian maker of videoconferencing systems, for \$3 billion. And in March, Cisco agreed to pay \$590 million for Pure Digital Technologies, a start-up that developed the popular Flip video cameras.

John T. Chambers, the chairman and chief executive of Cisco, has said that the company plans to keep spending. At \$35 billion, Cisco has more cash on hand for acquisitions than any other technology company. Cisco's vast cash stockpile results, in part, from its lucrative networking equipment business. The company is by far the largest supplier of the routers and switches that help direct data and voice traffic between computing systems.

While the profit margins on many popular data center products have plummeted over the years, Cisco reports 65 percent gross profit margins on its networking hardware.

Mr. Chambers has used acquisitions as a means of complementing the company's networking products, while also getting Cisco into new businesses. For example, the purchase of Pure Digital bolsters Cisco's video and nascent consumer electronics efforts while also giving the company a way to promote devices that create bulky files that consume great deals of bandwidth.

While the Starent purchase has a video element, it is primarily a sign that Cisco expects smartphones and wireless data plans to rise in popularity. In addition, the acquisition offers another door through which Cisco can approach telecommunications companies that have turned to Ericsson, Alcatel-Lucent and Huawei Technologies for networking equipment that feeds mobile devices. In a research report, Mark Sue, a networking analyst with RBC Capital Markets, valued the mobile carrier infrastructure market at \$47.5 billion.

Starent, based in Tewksbury, Mass., was founded in 2000 and has traded publicly since 2007. Last year, the company reported a 74 percent rise in revenue, to \$254.1 million.

Matthew Robison, a communications analyst with Wedbush Morgan Securities, said Starent had made a name for itself by creating a single piece of networking hardware that could move data while also performing more complex management functions like handling user tracking and billing processes. "It's almost like a router and a computer server in the same box," he said. Such technology has become desirable among the large telecommunications suppliers, which have either made similar acquisitions or tried to build their own hybrid systems. "Cisco needed to do this to have a good road

map out to the next generation of products," Mr. Robison said.

The all-cash deal is expected to close in the first half of 2010.

<http://www.nytimes.com>

Industry News

For Social Networks, It's Game On

October 16, 2009

Life on FarmVille has had a transformative effect on Laura Phillips.

For 45 minutes a day, Phillips, a 41-year-old marketing contractor in the Silicon Valley town of Morgan Hill, Calif., gets lost in the digital game on Facebook, managing crops and animals on her virtual farm.

"This is my escape from city life; it's my relaxation," she says. "Since Day One, I've been a complete addict. I lose sleep at night, worrying about my farm."

Phillips is one of more than 56 million monthly users of the game created by Zynga, a company that specializes in social games for platforms including Facebook, MySpace, iPhone and Bebo. FarmVille had just 354 users on June 20, the day after it launched. It's widely believed to be the largest and fastest-growing social game ever.

FarmVille's addictive qualities tend to sneak up on the casual interloper. Then again, so has its entire genre: Games are the killer app on social networks. Tens of millions of consumers are opting to play simple, quick games on Facebook, MySpace and elsewhere -- often via their mobile devices. An estimated 100 million people are recent devotees of social games such as FarmVille, Mafia Wars, Sorority Life and Bejeweled.

The gamers, many of whom eschewed traditional video-game consoles, have spurred revenue for Facebook. The 5-year-old social-networking site recently announced it was operating in the black -- a major feat in an industry beset by doubts about its ability to be profitable.

Meanwhile, the radical change in the way Americans play games has had a ripple effect on the \$45 billion gaming industry. Developers large and small are designing easy-to-play diversions in hopes of capitalizing on the craze. For some, such as Nintendo and Electronic Arts (EA), it's a return to simpler graphics and elementary objectives.

Social games are expanding the audience beyond traditional young male video-gamers and casual gamers, who tend to be women over 35. Such games are the hottest thing going in the \$13 billion online-gaming market.

For the Week Ending October 16, 2009

Atul Bagga, a gaming analyst at market researcher Think Equity, expects the \$500 million to \$600 million social-gaming slice of the online market to at least double, to \$1 billion, in 2010.

"It is one of the fastest areas of media growth, period," says Pete Moran, general partner at DCM, a venture-capital firm that has invested in social-game developers RockYou, PlayFirst and Outspark.

<http://www.mobile-tech-today.com>



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