

This Week's Stories

Verizon Wireless Prepares For the iPhone

December 17, 2009

Verizon Wireless is buttressing its network in the event Apple drops AT&T as the exclusive carrier of its popular smartphone

There's no telling yet whether or when AT&T might lose its position as the sole U.S. carrier of the Apple iPhone. But in the event Apple opts to partner with other mobile-phone service providers, Verizon Wireless says it's up to the task.

Verizon Wireless has even made upgrades that would make its network more capable of handling extra traffic that would be generated by the iPhone, Verizon Wireless Chief Technology Officer Anthony Melone says in an interview.

"We have put things in place already," Melone tells *Bloomberg BusinessWeek*. "We are prepared to support that traffic."

AT&T has come under fire for the spotty performance of its network. Vexed by dropped calls and slow download speeds, some consumers say the company was unprepared for the surge in traffic that's resulted from iPhone use. Verizon Wireless in TV commercials has mocked AT&T's network coverage, and Melone says his company's equipment would do a better job catering to the heavy data demands of iPhone customers. "Absolutely, I think we could handle it," he says.

Melone didn't address the prospect of landing a deal to carry the iPhone, though Verizon Wireless officials have in the past said they occasionally discuss partnerships with Apple executives. Earlier this year, the companies were considering releasing iPhone-like devices that would run on the Verizon Wireless network, people familiar with the matter said.

AT&T Network Issues

AT&T spokesman Mark Siegel declined to address the readiness of the Verizon Wireless network, though he said, "We think we are leading the way in how people use their wireless phones. We operate a great network."

Still, the company concedes the equipment isn't always up to snuff in key markets. On Dec. 9, the head of AT&T's wireless unit said the carrier was working to improve its network for smartphone subscribers in New York and San Francisco. Parts of those markets "are performing at levels below our standards," Ralph de la Vega, chief executive of AT&T Mobility, said at an investor conference. "This is

going to get fixed," de la Vega said. "In both of those markets, I am very confident that you're going to see significant progress."

At that same conference, de la Vega said the company would offer some subscribers "incentives" to "reduce or modify their usage" of bandwidth.

The network run by Verizon Wireless, by contrast, often wins raves from U.S. consumers and independent reports. In a December 2009 survey by *Consumer Reports*, Verizon Wireless received the highest overall satisfaction score for wireless service. AT&T came in last. T-Mobile came in second and Sprint Nextel came in third.

Consistent Investment

Melone credits the company's reputation to a focus on high network standards backed by consistent investments and a sophisticated troubleshooting program. Over the last three years, the company has invested nearly \$19 billion in its wireless network, or about \$6.3 billion a year. "It comes down to backing that process with money," says Melone. "We've been more consistent than any carrier in the last 10 years investing year over year."

Verizon Wireless has also beefed up its network through acquisitions. In January 2009, Verizon Wireless closed a \$27 billion deal to purchase the rural cellular operator Alltel. In acquiring Alltel, Verizon picked up a nationwide network with strong coverage in the Southeast and in Western states such as California, Nevada, and Arizona.

In addition, Verizon runs a troubleshooting program that helps the company identify weak spots in its network. Today, Verizon operates 100 vehicles in which technicians literally drive on roads throughout the country testing the service of their own devices as well as devices of their rivals. That's up from 10 vehicles a decade ago. If techies find an area that has weak service, the company can target more investment to improve the quality of the phone call or the data download. "We understand very granularly where our network performs well and where it doesn't perform well," says Melone. "That's served us well, quite frankly."

In fairness, the iPhone does seem to be imposing exceptional demands on AT&T. In the two years since the iPhone's debut, data traffic on AT&T's network has soared 5,000%. By contrast, Melone says Verizon's traffic has also been growing rapidly but at a slower pace. When asked to specify the growth rate, Melone said that over the last three years Verizon's traffic has grown as high as 1,000% year over year. But he declined to provide more details. Even so, Melone says the company is ready for the deluge should Verizon Wireless land a deal with Apple for the iPhone. "We will handle it if we ever get it," says Melone.

Verizon Wireless believes it will be able to maintain its edge in network quality as the industry moves to so-called fourth-generation wireless technology. Such technology will let consumers download anywhere from 5 to 12 megabytes per second, up from about 1.5 currently. Next year, Verizon plans to roll out the technology in 30 of the most populated markets, finishing the nationwide rollout two years later. Verizon's early deployments will be focused on modems and wireless access cards for laptops. 4G handsets aren't expected to be widely available until 2011.

<http://www.businessweek.com>

Solving Network Capacity Issues Should be No. 1 Priority for 2010

December 18, 2009

AT&T Mobility President and CEO Ralph de la Vega inadvertently created a firestorm last week during a UBS financial conference in New York when he mentioned that [AT&T was studying consumer mobile data usage patterns and trying to come up with ways to encourage high-bandwidth users to modify their usage](#). Although he stopped short of saying that the company would implement usage-based pricing, he hinted that this model is likely in the future unless the industry can come up with a way to stretch capacity and maximize the available wireless spectrum for these services.

I guess it isn't surprising that de la Vega's comments caused an uproar among consumers--many of whom have grown accustomed to consuming lots of mobile data--and now see any type of limit on their usage as an invasion of their rights. In fact, some users are so fired up they are plotting to protest AT&T by consuming too much data and slowing down the network. Called "[Operation Chokehold](#)," the plan is for iPhone users to use bandwidth-heavy apps for an hour today and slow AT&T's network to a crawl. It's not clear to me what the point of this exercise is. In my opinion, it just proves what AT&T has been saying all along--it needs its high-bandwidth customers to better manage their consumption or the entire network will be impacted.

What consumers don't seem to understand is that these capacity issues aren't a result of AT&T's neglect of its network. Sure, the company needed to upgrade backhaul in some markets (as it did recently in New York City) and it also needed to install more picocells in San Francisco. But this capacity problem will continue as more consumers upgrade to smartphones and start using the mobile network for bandwidth-intensive applications. This problem isn't network neglect, it's technology limitations. There's a finite amount of spectrum and all wireless carriers are going to face capacity constraints at some point unless someone comes up with a creative way to help carriers unclog the pipes.

Sure, carriers could better manage their network by upgrading their backhaul and off-loading traffic to WiFi and femtocells, but experts believe it's going to take more than those techniques to solve the impending capacity crunch. Already there are a few promising technologies on the horizon that could be a winner for wireless carriers. During a *FierceWireless* webinar yesterday, "[10 for 2010: Disruptive Technologies that Will Rock the Wireless World](#)," produced by Mobile Ecosystem founder Mark Lowenstein, speaker Henry Tirri, senior vice president and head of research at Nokia Research Center, discussed the potential of cognitive radio, which he says will allow wireless devices to seamlessly switch between WiFi and wide-area networks, enabling carriers to better manage network capacity and maximize their spectrum holdings.

And there are many startups trying to solve this dilemma, too. Jon Auerbach, a general partner with Charles River Investments (another speaker on yesterday's Webinar), said that since September his firm has seen business plans from nearly 30 companies which have solutions to help carriers better manage capacity. "We expect the incumbents to start spending on this area because they realize how bad the situation is," Auerbach said.

AT&T clearly has been the first to feel the pain of capacity issues, but I think other operators will soon follow. In 2010, the industry needs to make solving the capacity crunch a big priority. Otherwise, it's going to have to huge perception battle to overcome with the consumer.

<http://www.fiercewireless.com>

Product & Service News

Verizon Wi-Fi Gives Mobile Broadband Customers More Ways to Connect to The Internet

December 15, 2009

With more and more people and businesses wanting and needing to stay connected, and more and more laptops being sold every day, Verizon Wireless today gave its customers another choice to do just that. Verizon Wireless introduced Verizon Wi-Fi, a way for Mobile Broadband customers to access thousands of Wi-Fi hotspots at no additional charge and to move easily from the nation's most reliable 3G wireless network to those hotspots.

Verizon Wi-Fi is available in locations across the United States, including airports, bookstores, coffee shops, hotels and other public locations. The service is also available at locations in Canada and Mexico, so customers can reduce data roaming charges in those countries when connected to a Verizon Wi-Fi hotspot. Customers can search for local hotspots – either by address or type of location such as a

hotel or café – at www.verizonwireless.com/wi-fi. Search results will provide the location's address, a map and driving directions.

When within range of a Verizon Wi-Fi hotspot, customers can use VZAccess Manager to connect with a Wi-Fi-enabled notebook or netbook computer. When they are ready to move, but want to remain connected, or if they want the added security of the Verizon Wireless network, customers can simply switch back to Verizon Wireless' 3G wireless network, which is the largest and most reliable in the country. These choices can help them manage their monthly data allowance by potentially preventing overage charges and saving the allowance for when mobility is needed.

<http://www.fiercewireless.com>

AT&T Hasn't Decided Yet on Tiered Data Pricing

December 17, 2009

AT&T Mobility has not decided to change its data plan price structure to a usage-based model, but is actively seeking ways to offload more traffic from its cellular network as it strives to cope with prodigious and growing data traffic, according to the company's CEO.

"We have not made any decision to implement tiered pricing," AT&T Mobility CEO Ralph de la Vega told the Wall Street Journal. Last week at an analyst conference, de la Vega admitted that the company's cellular network was not performing up to par in New York City and San Francisco, and said the company was taking steps to improve the networks. He also alluded to unnamed incentives that the company would seek to implement to get users to limit their data usage. Critics have argued AT&T's network has not been able to keep pace with users' data demands, particularly Apple iPhone users.

Other tactics AT&T may employ include free WiFi hotspots and femtocells to help offload data traffic. AT&T has touted the 25.4 million WiFi connections its customers made in the third quarter on its hotspots, and earlier this fall it began trialing a femtocell offering.

Last week, de la Vega said wireless subscribers need to be given more information about their data usage patterns. "I think we need to educate the customer," he said. "The customer has to understand what represents a megabyte of data."

<http://www.fiercewireless.com>

Mergers/Acquisitions/Partnerships

Spivox Close to Accepting \$150 Million Takeover

December 13, 2009

Spivox, the troubled technology firm, is close to accepting a \$150m (£92m) takeover offer from an American rival.

A sale to Nuance Communications, the speech-recognition group, could be announced before Christmas. It marks the end of the road for Spivox, which converts mobile-phone text messages into voicemails.

Once hailed as one of Britain's most promising technology start-ups, the company ran short of cash in the summer. It was also rocked by allegations of financial mismanagement and claims that most of its messages were transcribed in overseas call centres.

It is expected that Nuance, based in Burlington, Massachusetts, will ask co-founder Daniel Doulton to stay on. The future of his partner Christina Domecq is less clear. Domecq, a scion of the sherry family, was last year eyeing a £200m stock-market flotation for the business she set up in 2003. She is not likely to get anything from its disposal.

Spivox, which burnt through £100m of backers' money, was given a stay of execution in August when John Botts, the chairman, extended a £30m bridging loan from Tisbury, the fund manager where he is also a director. The loan, due to be repaid next Sunday, has been rolled over to January to allow the takeover to be completed.

Preferential shareholders GLG Partners, a hedge fund, and Martin Hughes, the boss of Toscafund Asset Management, will receive some money from a sale but are not expected to profit from it. Early backers, including Goldman Sachs, Carphone Warehouse and Peter Wood, the Esure insurance tycoon, will be left empty-handed.

Spivox is projected to earn £7m next year and £30m in 2011 after signing contracts with several mobile operators. Unaudited accounts for 2008, which have still to be filed at Companies House, report a pre-tax loss of £49m.

An inquiry by Deloitte, the accountant, and Jones Day, the law firm, into the dossier of anonymous accusations about financial mismanagement did not uncover any wrongdoing.

Nasdaq-listed Nuance has a market value of \$4.2 billion. It cut its net loss to \$12m from \$30m in the year to September as sales rose 9% to \$950m.

<http://business.timesonline.co.uk>

Cisco Closes Starent Deal

December 18, 2009

Cisco has completed its \$2.9 billion acquisition of Starent Networks, supplier of IP-based mobile infrastructure solutions targeting mobile and converged carriers.

With the completion of the deal, Starent Networks now becomes part of Cisco's new Mobile Internet Technology Group within the Service Provider Group (SPG).

Ashraf Dahod, former president and CEO of Starent, will become senior vice president and general manager of the new group, reporting to Pankaj Patel, senior vice president and general manager of SPG.

Starent provides core network functions and services to manage access from 2.5G, 3G and 4G radio network to a mobile operator's packet core network. Its technology is deployed in CDMA2000 (1X, EV-DO), UMTS/HSPA and WiMAX networks.

Global mobile data traffic is expected to more than double every year through 2013, according to the Cisco Visual Networking Index.

<http://www.wirelessweek.com>

US Airvana to Be Acquired for \$530M

December 18, 2009

US mobile broadband network infrastructure products firm Airvana (NASDAQ: AIRV) said Friday it has inked a final agreement to be bought for some USD530m (EUR369.7m) by a newly created company dubbed 72 Mobile Holdings.

The newly-formed entity is owned by affiliates of SAC Private Capital Group LLC, GSO Capital Partners LP, Sankaty Advisors LLC and ZelnickMedia.

Under the agreement, each Airvana share will be exchanged for USD7.65 in cash, representing a premium of some 23% over the closing share price on 17 December.

Certain members of Airvana's management, including CEO and president Randy Battat and founders Vedat Eyuboglu and Sanjeev Verma, will exchange a portion of their stakes for an equity interest in the acquirer.

72 Mobile Holdings has secured the deal with a combination of equity and debt financing.

The deal was unanimously approved by Airvana's board of directors and by a special committee of independent directors, established to undertake a review of Airvana's strategic alternatives.

The purchase is due to be finalised by the end of the first quarter of 2010.

Goldman Sachs & Co is acting as financial advisor to Airvana's special committee.

Perella Weinberg Partners is serving as financial advisor to the acquirer.

<http://www.tmcnet.com>

Industry News

Palm's Smartphone Shipments Jump 41%, but Losses Continue

December 17, 2009

Palm's smartphone shipments shot up in its fiscal second quarter, but it continued to post losses. Even as more carriers around the world begin selling its webOS devices, the smartphone maker was unable to translate that into quarter-over-quarter growth in smartphone shipments.

The company reported a net loss of \$81.9 million, significantly smaller than its \$506.2 million loss in the year-ago period, when it was hit by tax-related charges. Palm posted revenue of \$78.1 million, down 59 percent from \$191.6 million in the year-ago quarter. However, on a non-GAAP basis, which includes revenue deferred from the sale of its webOS phones, the Pre and the Pixi, Palm said revenue came in at \$302 million.

The company shipped 783,000 smartphone units during the quarter, a 5 percent drop from the 823,000 it shipped in the previous quarter, but up 41 percent from the 599,000 it shipped in the year-ago quarter. Actual smartphone sell-through, however, fell 29 percent from the previous quarter and 4 percent year-over-year.

Palm CEO said the company plans to aggressively increase its marketing efforts. "We need to work very hard to get the word out and get people to understand why our products are better than the competition's," he said on the company's earnings conference call.

Ahead of the company's earnings announcement, analysts speculated about Palm's plans for the new year, and in particular, whether it would reveal a new phone at the Consumer Electronics Show in Las Vegas next month.

Last year, Palm unveiled the Pre and webOS at the show, and analysts expect Palm to formally announce its partnership with Verizon Wireless at the trade show; currently, Sprint Nextel is the sole carrier for Palm's two webOS devices in the United States.

Analysts said they were looking for new developments in the new year--particularly new carrier relationships--as a way to gauge the company's prospects. "While management maintained the fiscal year 2010 revenue guide at \$1.6-1.8 billion supported by new carrier launches, achieving guidance may prove more challenging given Palm's channel inventory and limited sell-through benefit despite increased marketing in the quarter," UBS analyst Maynard Um said in a research note. "It remains to be seen how aggressively new carrier(s) might push Palm and we would wait for better visibility to execution, sustained end demand and profitability to get more constructive."

Others expressed impatience with the company's strategy so far. "Number one, when do they sign more carriers beyond Sprint here in the U.S.?" said Shaw Wu, an analyst at Kaufman Bros., told Reuters. "At what time can they leverage their spending?"

<http://www.fiercewireless.com>

Multiple Options but No Clear Winner for Voice and SMS Over LTE, Finds Frost & Sullivan

December 17, 2009

Despite the fact that data traffic is growing exponentially, mobile operators are witnessing a divergence of data revenues and traffic load curves due to flat rate price models. Thus, network efficiency must improve in order to ensure that the cost-per-bit to deliver a service is attained at a bare minimum in comparison to the existing cellular technologies. Many opine that the next generation long term evolution (LTE) technology can achieve these goals, with the technology currently being trialed by several operators worldwide.

New analysis from Frost & Sullivan, (<http://www.wireless.frost.com>), **Multiple Options but No Clear Winner for Voice and SMS over LTE**, notes that due to the economic crisis, many operators are currently unwilling to deploy LTE that is service-limited - in particular on services that are cash cows i.e. voice and short message services (SMS). Hence, the value of deploying LTE and then limiting the users to basic 2G/3G services is pointless.

"Regardless of the operator timelines for LTE deployment, there are several pending issues plaguing LTE, including lack of support for voice and SMS, incremental costs for

backhaul capacity to support LTE data traffic, lack of sufficient spectrum allocation (a minimum of 20MHz) and a consensus of a globally harmonised frequency band for LTE deployment," notes Frost & Sullivan ICT Programme Manager Luke Thomas.

SMS was never an intrinsic part of LTE (though all the current cellular broadband technologies support SMS) despite EU regulations for SMS requirements for roaming and to support customer-based service messages to avoid "Bill Shock". As SMS is used as the primary mechanism for advertising, remote device management and configuration updates, it will be quite a challenge for operators to deploy LTE without supporting SMS.

"Of all the concerns over LTE deployment, the lack of support for voice and SMS over LTE should be addressed first, as these segments currently constitute nearly 85 percent of global mobile service revenues," advises Thomas. "Key participants of the mobile and wireless industry, in particular mobile operators, should band together to resolve the existing fragmentation of voice and SMS delivery over LTE, so that it benefits all the stakeholders involved."

Otherwise, the lack of consensus could be an impediment to the large-scale roll out of LTE, thereby allowing alternative technologies such as Mobile WiMAX to take advantage of the situation, and significantly penetrate the European market.

This Frost & Sullivan study focuses on six options that are provided by various industry participants to resolve the voice and SMS issues over LTE, so that operators do not undergo the risk of deploying LTE networks without being able to realise the promised cost-per-bit efficiency in delivering next generation value-added services. The various options considered in the study are Circuit-switched fall back (CSFB), Voice over LTE via generic access (VoLGA), Fast Track solution, Mavenir and Acme Packet's MSC TAS/IMS Solution, Voice and SMS over IMS (VoSolMS), and One Voice Profile.

<http://www.prnewswire.com>

BlackBerry Business Booms

December 18, 2009

The company behind the BlackBerry smartphone, Research In Motion (RIM), today announced a massive increase in sales, despite facing fierce competition from the Apple iPhone and the Palm Pre.

RIM believes that the boost in sales comes from targeting its smartphones at both consumers and businesspeople. The company today reported record-breaking sales over the past three months, having shipped ten million phones worldwide. The strong sales of the BlackBerry have

For the Week Ending December 18, 2009

helped RIM grow its quarterly revenues by 11 per cent and the company, founded by Canadian entrepreneur Mike Lazaridis in 1995, expects revenues to continue rising to between \$4.2bn and \$4.4bn over the next three months to the end of February.

The growing popularity of smartphones such as the BlackBerry and the iPhone has lead to a number of companies creating special "mobile sites" so customers can access web pages on the go. There are now a huge number business-related apps.

<http://www.realbusiness.co.uk>



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