

This & Last Week's Stories

Does AT&T Turn into a Pumpkin in June?

November 22, 2009

Its Cinderella contract with Apple for the iPhone runs out in seven months, says one analyst.

Broadpoint AmTech's Brian Marshall, who has replaced Piper Jaffray's Gene Munster as the most bullish of the mainstream Apple analysts, made several assertions of fact in a Bloomberg TV interview Friday that — if true — struck me as newsworthy. Chief among them:

- The contract that gives AT&T exclusive access in the U.S. to Apple's iPhone expires in June 2010.
- Apple is now getting a \$450 subsidy from AT&T for each iPhone it sells; after June, that subsidy will be reduced to \$300 for all carriers, domestic and international.
- The 4% of AT&T subscribers who use the iPhone consume roughly 40% of the network's bandwidth.

Here and in a research note issued last late month, Marshall has been lobbying heavily for Apple to start selling the iPhone through Verizon. It turns out he may have personal reasons for doing so. He told Bloomberg's Pimm Fox that whenever he travels to New York or San Francisco with his iPhone he gets dropped calls "all the time."

"A very frustrating experience," he said, "but I'm not going to move away because Apple has their hooks into me"

<http://brainstormtech.blogs.fortune.cnn.com>

Comcast, NBC Aim to Ease Feds' Concerns

December 2, 2009

A merger between Comcast and NBC Universal, expected to be announced by Thursday, would probably come with concessions aimed at forestalling a drawn-out federal review of the deal, sources close to the negotiations said.

In previous major media mergers, companies have agreed to preserve local news coverage and grant competitors access to content, for example. Sources familiar with the Comcast-NBC Universal talks said such promises would probably be announced with the merger.

The \$30 billion transaction would significantly reshape the media landscape by giving the nation's largest cable and broadband Internet provider control over content that makes up one out of five TV viewing hours, according to some analysts. NBC owns Universal Studios, theme

parks, shows such as "The Biggest Loser" and "Heroes," and cable channels such as USA Network, Bravo and CNBC.

The deal, which has been in the works for months, was jump-started Monday when General Electric agreed to acquire the portion of NBC Universal it doesn't own from French conglomerate Vivendi for \$5.8 billion, according to sources. That agreement was the remaining hurdle for Philadelphia-based Comcast to consummate its purchase of NBC Universal.

Under the terms of the merger, Comcast is expected to pay about \$6 billion in cash for a 51 percent stake in NBC Universal. GE would retain a 49 percent stake, and Comcast would contribute its cable assets to the joint venture. Comcast would control the venture's day-to-day operations and have the right to buy the rest of NBC Universal within seven years, according to the sources, who spoke on condition of anonymity because the deal has not been formally announced.

Big hurdles

If completed, the deal would extend Comcast's vision to bring more content to its subscribers in as many forms as possible -- TV, computers and mobile devices.

But the proposed merger faces significant hurdles, including a close review from federal regulators that some analysts said could last a year. Either the Federal Trade Commission or Justice Department will review whether the deal is anti-competitive, and the Federal Communications Commission will examine how the deal affects consumers.

The deal also has major implications for the Washington region.

NBC Universal owns 34 TV stations, including District-based WRC (Channel 4), and Comcast dominates cable service, owning most of the major systems in the area. The only major jurisdiction Comcast does not serve in Washington's immediate suburbs is Fairfax County.

Although no regulation prevents ownership of a broadcast station and cable assets in the same market, such combinations would probably raise concerns. Regulators conceivably could force Comcast to sell its broadcast or cable stations in the same region as a condition of approval. Washington is one of several markets where Comcast and NBC have such properties.

Sources familiar with the deal said the joint venture has no plans to divest its local TV stations or the NBC network.

Online video scrutiny

Another area expected to draw regulatory scrutiny is online video distribution. Comcast hopes to expand its offerings by acquiring NBC's content.

The cable operator's video-on-demand service, which is separate from its online aspirations, was started six years ago with a few hundred titles and has a library of 17,000 shows and draws 350 million views a month.

Public interest groups have said Comcast could have too much control over content amid a shifting media landscape that is moving increasingly to the Web.

The FCC has a history of nurturing nascent video distributors to promote competition. A source at the Justice Department said the antitrust division is considering questions about how the merger would affect online distribution models such as Hulu -- a joint venture owned by programmers, including NBC -- and a cable industry plan, TV Everywhere, that will bring more shows online, but only to cable subscribers.

"They will face a year-long gauntlet of regulatory and political hearings and conditions that threaten to derail not just the synergy value that might otherwise be achieved in a combination, but in a worst case scenario, that might threaten the structural attractiveness of the core businesses of both Comcast and NBCU," Craig Moffett, an analyst at Bernstein Research, wrote in a note Tuesday.

Comcast and GE declined to comment. A Comcast spokeswoman, however, has said the company's online video strategy allows programmers to negotiate deals with other cable, satellite and online distributors of content.

The deal follows similar media mergers. In 2003, News Corp. bought Direct TV, and in 2001 Time Warner merged with AOL in a \$100 billion deal. Those mergers failed, with News Corp. divesting its shares in Direct TV.

Time Warner spun off AOL this year, separating its cable and Time Warner content business. Comcast also made a failed bid for Walt Disney in 2004.

<http://www.washingtonpost.com>

Dismissed: AT&T, Verizon Quit Legal Battle Over Ad Claims

December 2, 2009

All of that for nothing.

AT&T Mobility and Verizon Wireless agreed to have litigation between them over advertising claims dismissed in federal courts in both Georgia and New York, according to legal filings.

The more recent--and high-profile--litigation that was dismissed in Georgia centered on Verizon's "There's a Map For That" advertising campaign, which compares the two companies' 3G network coverage. AT&T argued the ads are misleading because viewers might be led to believe that AT&T does not have any coverage in the white spots on AT&T's map. Last month the judge in that

case denied AT&T's request to issue a temporary restraining order that would have forced Verizon to stop showing the ads.

The two companies also dismissed a separate lawsuit filed in July. In that case, submitted to a New York federal court, Verizon asked a judge to determine whether its "America's Most Reliable 3G Network" ads are truthful, a claim AT&T said is misleading. Verizon filed the lawsuit in response to AT&T's claims that Verizon's advertising was false could not be supported.

A Verizon spokesman declined to comment on the dismissal of the case in Georgia. An AT&T spokeswoman declined to comment on the dismissals.

<http://www.fiercewireless.com>

ST-Ericsson May Slash Up to 600 Jobs

December 3, 2009

ST-Ericsson said it will embark on a new cost-cutting program intended to save \$115 million annually, a move that could result in the company cutting 600 jobs.

The chip maker, a joint venture between Ericsson and the Franco-Italian chipmaker STMicroelectronics, said the savings will come from cuts in operating expenses and spending, along with an "extensive" research and development efficiency program. This move follows restructuring the company announced in July.

The company, which provides silicon to the likes of Nokia, Samsung and Sony Ericsson, recently said it intends to break even this year with sales of between \$750 million and \$800 million. By the end of the third quarter, the company said it was mostly finished with a program to cut \$250 million in operating expenses.

<http://www.fiercewireless.com>

Product & Service News

Sprint Drops Qualcomm's Qchat

November 30, 2009

Sprint Nextel said it will no longer offer new devices running Qualcomm's QChat technology, and will instead refocus on push-to-talk phones operating on its iDEN network.

Sprint spokesman Scott Sloat told *FierceWireless* the move stems from the carrier's announcement last year that it would keep and reinvigorate its iDEN network. The carrier has since launched new iDEN devices and services and improved the network's quality.

"As a result of this progress, Sprint is committed to continuing to offer innovative push-to-talk products and services on the gold standard iDEN network," he said.

"Sprint will continue to support its existing QChat customer base to ensure their needs are met. However, at this time there are no new QChat handsets on the product development roadmap."

Sprint first launched QChat devices in 2008, a move that allowed it to offer push-to-talk services over its EV-DO Rev. A network. The QChat phones included a range of new features, including a repeating alert and group chat function that connected up to 20 users at once.

Qualcomm said in a statement that it continues to support Sprint's QChat customers and is also working to expand its QChat business domestically and internationally to work with "multiple 3G operators moving forward."

"Qualcomm continues to innovate and invest in QChat, an air interface agnostic platform currently optimized for both WCDMA and EV-DO Rev. A," Vishal Gupta, Qualcomm's vice president of North American sales, said in a statement. "We expect to launch QChat internationally in the coming year but cannot yet disclose which operators."

<http://www.fiercewireless.com>

AT&T, Verizon Unveil New Holiday Smartphone Promotions

December 4, 2009

AT&T Mobility and Verizon Wireless are each starting new promotions today aimed at getting customers to snap up smartphones (and their attendant data plans) in a final push for the holiday shopping season.

AT&T is halving the price of its BlackBerry devices from Research In Motion, including the new BlackBerry Bold 9700, with a two-year contract and after a mail-in rebate. Additionally, the carrier is offering the Samsung Solstice for free after a \$50 mail-in rebate. An AT&T spokeswoman said there is currently no end date for the promotion, but that it would run through at least the rest of the holiday shopping season. The action may be a holiday response to Verizon's long-running buy-one-get-one BlackBerry promotion.

Separately, Verizon is launching an Android-focused promotion, which runs today through Dec. 7. Customers can buy either the Motorola Droid or the HTC Droid Eris, and can get another Droid Eris for free--that is, with a new, two-year contract and after rebate. In another bit of Verizon Android news, Verizon spokeswoman Brenda Raney confirmed to *FierceWireless* that the Droid Eris, which currently runs Android 1.5, will be upgraded to at least Android 2.0 sometime in the first quarter.

Currently, the Moto Droid is the only smartphone on the market running Android 2.0.

<http://www.fiercewireless.com>

Mergers/Acquisitions/Partnerships

Sprint Completes Purchase of Virgin Mobile USA

November 24, 2009

Sprint Nextel Corp. on Tuesday said it had completed its \$483 million acquisition of Virgin Mobile USA, boosting its presence in the market for customers who pay for cell phone service month-to-month.

Virgin Mobile shareholders earlier Tuesday voted in favor of the acquisition, which was announced in July and pays them \$5.50 in Sprint stock for each Virgin Mobile share. The deal also includes retiring Virgin Mobile's debt.

Sprint Nextel already owned 13.1 percent of Virgin Mobile, which uses Sprint's network to offer service and has 5.2 million subscribers.

Like other so-called "prepaid" vendors, Virgin Mobile primarily appeals to customers who lack the credit or income to qualify for long-term contracts or simply want a bargain over contract-based plans.

The market for these customers has expanded as the economy has forced more traditional wireless customers to search for cheaper plans. Sprint, which is based in Overland Park, Kan., ignited a mini-price war in January when it introduced a \$50-per-month prepaid unlimited plan under its Boost Mobile brand.

It's unclear how Virgin and Boost will coexist under Sprint, although they have been geared toward different markets — Virgin aimed at teens and 20-somethings while Boost is considered a value brand. The company said customers of both brands won't see any immediate changes.

Other competitors in the prepaid space include No. 4 carrier T-Mobile USA and smaller upstarts like MetroPCS Communications Inc. and Leap Wireless International Inc., which sells under the Cricket brand.

Prepaid carriers are expected to have the most growth potential as most people who want wireless service in the U.S. and are eligible for a contracts have a phone already.

Virgin Mobile shareholders, which include British billionaire Richard Branson's Virgin Group and South Korean carrier SK Telecom, will own about 3 percent of Sprint.

<http://www.google.com/hostednews/ap/article>

Industry News

PayPal Says Mobile Payments Surged On Black Friday

November 29, 2009

More consumers used their mobile phone to make purchases and compare prices on Black Friday than ever before, according to data reviewed by Dow Jones.

Mostly, the data was compiled from eBay's PayPal and TheFind.com, a product search engine. PayPal said mobile payments surge nearly 650 percent, compared to last year. Amanda Pires, senior director of marketing, said mobile purchases are increasing as retailers and higher-end phones make it easier to shop on the phone. TheFind.com, which has an iPhone app and a designated mobile version, told Dow Jones (NYSE: NWS) that the number of people using phones to comparison shop increased this year. Mobile searches jumped to about 200,000 this year from 5,000 on Black Friday in 2008.

In general, comScore said this year that \$595 million was spent shopping from a PC on Nov. 27, making it the second heaviest online spending day to date in 2009 and representing an 11-percent increase versus Black Friday 2008.

<http://moconews.net>

AT&T, Verizon at Opposite Ends of Consumer Reports Survey

December 1, 2009

AT&T Mobility ranked lowest in wireless customer satisfaction in 19 of 26 cities surveyed by *Consumer Reports*, marking another blow to the carrier's image. Further, AT&T's chief wireless rival Verizon Wireless ranked highest in all of the 26 markets.

Respondents knocked AT&T service in New York and San Francisco--where subscribers, particularly of the iPhone variety, have previously complained--as well as in Atlanta, Cleveland Houston and other areas. The publication surveyed 50,000 readers in 26 U.S. cities.

"Apple's iPhones are the top smart phones in our ratings--actually, among the best of all phones we tested, period--but their exclusive carrier, AT&T, was middling at best in satisfaction," *Consumer Reports* said. "If you're readying to buy Apple's phone, prepare for possible disappointment with its service and expect to love the phone anyway."

Pali Research analyst Walter Piecyk wrote in a research note that it is becoming a "familiar juxtaposition" for Verizon and AT&T to be on opposite ends of the satisfaction spectrum. "While we recognize the shortcomings of each of these surveys individually, we believe the consistency of AT&T's ranking and the

numerous press reports cataloging its network problems present a looming problem for a company that we believe has become over-leveraged to the iPhone," he said, noting AT&T replaced Sprint Nextel at the bottom of this year's *Consumer Reports* survey.

AT&T sought to cast a rosy glow over the survey dust-up. "We appreciate and value all customer feedback," the company said in a statement to the *Wall Street Journal's AllThingsD* blog. "We learn from it and it helps us serve our customers better. Without question the surest indication of customer satisfaction is churn, or turnover. For the last quarter, our postpaid churn was just 1.17 percent."

AT&T has previously acknowledged difficulties in meeting the data demands of iPhone users. In response, it has begun upgrading its network to HSPA 7.2 technology; by the end of 2010, AT&T has promised to offer the HSPA upgrade in 25 of the country's 30 largest markets.

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