

This Week's Stories

Clearwire Cuts Workforce, Delays Retail Launches Amid Funding Uncertainty

November 4, 2010

Clearwire posted record subscriber and revenue growth in the third quarter, but the mobile WiMAX operator said it will take several measures to conserve cash as it seeks to secure new funding. The company said its network now covers 100 million POPs and is on track to cover 120 million POPs by year-end. Clearwire also said it now expects to end the year with 4 million total subscribers, double what it had predicted at the beginning of the year.

However, the company said it is still trying to come up with new funding and is exploring a variety of options. Clearwire CEO Bill Morrow said during the company's earnings call that Clearwire is considering new equity funding from existing shareholders as well as non-strategic investors; debt-based financing; or selling spectrum that the company does not need.

While it searches for new funding, Clearwire is taking a number of measures, which it described as temporary, to conserve cash. The company will:

- substantially reduce sales and marketing,
- delay plans to launch Clear-branded smartphones from Samsung and HTC,
- suspend Clear-branded operations in select markets including Denver and Miami,
- cut the number of contractors it employs as well as 15 percent of its workforce, and
- suspend development activities for cell sites that are not part of its current buildout plan.

Morrow characterized all of these measures as temporary, and said the company is doing this to ensure that once it does secure adequate funding it can quickly ramp up its operations. The measures are expected to save between \$100 million and \$200 million this year and the same amount in the first half of 2011.

Sprint Nextel holds a 54 percent stake in Clearer and resells its service under the Sprint 4G brand. A Sprint spokeswoman, Cristi Allen said that Sprint is going ahead with Sprint 4G launches in Denver and Miami. She declined to comment on Clearwire's funding, other than to reiterate what CEO Dan Hesse said last month: Sprint has been holding discussions with Clearwire about the company's finances, but there is no assurance that there will be any transaction with Clearwire.

<http://www.fiercewireless.com>

Alcatel-Lucent Snags \$4B Verizon Contract, Posts Q3 profit

November 4, 2010

Alcatel-Lucent capped a strong third quarter by securing a \$4 billion infrastructure deal with Verizon Wireless.

The Franco-American equipment vendor swung back to a profit, marking its first profitable quarter this year. The firm reported a profit of \$35.3 million, compared with a loss of \$257 million in the year-ago period. The profit was aided by a one-time tax benefit related to pension plans, as well as higher sales. Alcatel-Lucent's total revenues clocked in at \$5.75 billion, up 10.5 percent from \$5.21 billion in the year-ago quarter. The company said it achieved double-digit growth in the North American market.

Alcatel-Lucent's four-year contract with Verizon is for Verizon's continuing 3G EVDO expansion as well as its LTE network buildout. Verizon plans to launch LTE in 38 markets this year and expects to fill out its 3G footprint with LTE by the end of 2013. The contract is for end-to-end CDMA and LTE radio network solutions; IP, optical and microwave backhaul and transport; and professional and network integration services.

In addition, Alca-Lu expects to sign \$1.66 billion worth of deals with China Mobile, China Unicom and Chian Telecom. The deals will be signed when President Hu Jintao visits France tomorrow. "I think this is a significant turning point in the transformation of the company," Alcatel-Lucent CEO Ben Verwaayen told the *New York Times*. "We are experiencing good demand for our products."

However, Alcatel-Lucent continues to suffer from component shortages, something that has bedeviled the industry all year. "Component constraints are still there ... every quarter will be a little bit better, but it will take a couple of quarters to resolve," Verwaayen said, according to the *Wall Street Journal*. He said the company has invested heavily in inventory to continue to meet demand despite the shortages.

For the year, Alcatel-Lucent continues to expect growth of between 0 and 5 percent for the telecommunications equipment market. Alca-Lu also said it continues to expect to reach an adjusted operating margin of between 1 and 5 percent.

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Dell Switching Off BlackBerry, Onto Own Smartphone

November 5, 2010

Dell Inc will shift thousands of its employees off Research in Motion Ltd's BlackBerry and over to Dell's smartphones, the company said on Thursday.

The money-saving switch affects the roughly 25,000 Dell employees who carry a company-issued BlackBerry. Dell employs around 100,000 people worldwide.

Dell is also launching an effort to convince its business customers to switch to the company's smartphone.

News of the company's plans was first reported by the Wall Street Journal, and confirmed by Dell spokesman David Frink.

Frink said the switch will begin soon, but said it will take some time to complete.

RIM did not immediately respond to a request for comment.

Dell's BlackBerry users will be shifted over to use the new Dell Venue Pro, which runs on Microsoft's new Windows Phone 7 software and operates on the network of T-Mobile USA, the U.S. arm of Deutsche Telekom AG.

Dell's decision to move its employees off BlackBerry may come as little surprise, given its aspirations in the mobile device market. The company has frequently talked about using handheld devices as a gateway to sell and promote a broader suite of services.

Dell formally entered the smartphone market only late last year, and launched its first device in the U.S., the Aero, earlier this year. The Aero runs on Google's Android software, as does Dell's new 5-inch tablet, the Streak.

RIM has long been the dominant player in the corporate smartphone market, but has seen its market share erode as companies such as Apple make gains.

In the third quarter, RIM's global smartphone market share slipped more than 4 percentage points from a year-ago, according to industry tracker IDC.

<http://www.reuters.com>

Products & Services

Phone in a Box, Clear as a Bell

November 4, 2010

A telecommunications hardware and software company, Ooma, has a land-line phone solution that is sold at major retailers including Amazon.com, Best Buy, Staples online, Wal-Mart, Sears and NewEgg.com and others. Its Telo box allows users to hook up their phone to the Internet and get very good call quality and consistency via packet routing solutions. It also offers HD voice with a standard industry codec between Ooma boxes and will work with other HD services when they come to market. The service provides international calling at a very good price of \$0.01 a minute, which is also a selling point for its iPhone application.

The Ooma Telo box provides a value play that is a must in this time when people are looking for value in their telecommunications service. For a \$259 box fee and a nominal monthly rate of \$3 to \$4 for taxes and fees, the user is allowed unlimited domestic calls and international calls at the above stated rates. The other benefit for our transient society is that you can take your Telo anywhere there is an Internet connection and benefit from quality land-line service. You essentially take your phone service with you in a box. The underlying benefit of the service is the users can get all the perks of inexpensive quality calling without changing their phone habits, which have been optimized over 100 years of phone use.

The company makes its money on its premium service, which 30% of its 100,000 subscribers pay for. The cost is \$9.99 a month, or \$119.99 per year. The benefits include a second line (great for those who work at home), call forwarding to a cell phone or other phones, three-way conferencing, voice mail forwarded to e-mail, multi ringing on various phones, usage of headsets via Bluetooth, easy integration with Google Voice, and blacklisting and call access controls.

The product has the look and feel of services that use hardware and software to harness the Internet in a customer-friendly way, such as TiVo and Slingbox. It is disruptive in that it offers a quality service with easy setup that undercuts existing carrier offerings. Despite cord-cutting trends, a large group of consumers still want land-line service. According to our Anywhere Consumer: U.S. Consumer Survey, Wave 1-6, 2010, 45% of respondents say their home phone will never be replaced by a mobile phone. The challenge for Ooma is convincing people to change the way they get voice service and providing people with the assurance that their phone will always have a dial tone. Right now, the phone is for the people who understand and appreciate the value of technology and the value of the dollar.

<http://www.wirelessweek.com>

Industry News

Smartphones Account for Almost 65% of Mobile Traffic Worldwide

November 2, 2010

Smartphone users are generating two-thirds of total mobile cellular traffic* worldwide despite the fact that only 13% of mobile subscribers use smartphones, according to the latest research from Informa Telecoms & Media (informa.com/smartphones). And as these smartphone users spend more time on the Internet, the traffic that each one generates - their average traffic per user (ATPU) - will increase by a staggering 700% over the next five years.

Informa Telecoms & Media estimates that ATPU per smartphone currently averages 85MB per month. The iPhone is the highest-traffic-generating device followed by Android devices. It will retain this lead, Informa Telecoms & Media believes, because Android devices will be spread across high-, mid- and low-user segments.

ATPU is a new metric devised by Informa Telecoms & Media to help the mobile industry measure the potential of new services and revenue streams such as mobile advertising. ATPU could also be used by operators as a key differentiating parameter for judging the popularity of different OS platforms and related ecosystems.

"The traffic disparity between smartphone and non-smartphone is most pronounced in North America where 86% of mobile data traffic is currently generated by smartphone users, notably those using an iPhone or high-end Android devices," notes Malik Kamal-Saadi, principal analyst at Informa Telecoms & Media. Smartphone ATPU here is forecast to reach a staggering 776MB/month by 2015.

In Western Europe will also enjoy rapid growth and the smartphone ATPU in the region will increase almost 17 times to over 736MB/month in 2015 from under 44MB/month in 2009. The rapid growth in these regions will be driven by both the fast migration of subscribers to higher-speed mobile networks, the proliferation of flat rate data plans, and the availability of wide range of smartphones targeting different consumer groups with different lifestyles, which will enable users to consume content and services most relevant to them.

However, the highest smartphone ATPU will continue to come from South Korea and Japan with respective values of 271MB/month and 199MB/month expected in 2010, which is 2-3 times higher than the global average.

In contrast, smartphones remain a status symbol for the majority of users in emerging markets who still use cellular networks largely for voice and SMS rather than to access mobile data services. As a result, ATPU in these regions is not expected to exceed 43MB/Month in 2010 and could be as low as 13MB/month in some African countries. The low penetration of mobile broadband networks, the lack of compelling local content and the proliferation of prepaid subscribers are among the reasons why smartphone ATPU in emerging markets will lag behind this in developed regions.

There will be also a significant difference in the ATPU associated with the different OS platforms. iPhone will continue to lead the smartphone ATPU thanks to its superior user experience. Also, because the iPhone will continue to target premium users with high ARPU, it is likely to remain leading the ATPU worldwide with an estimated value of 196MB/month in 2010.

However, other platforms, mainly Android and Microsoft Windows Phone, will catch up as the gap in terms of user experience is narrowing quite rapidly. Android ATPU is currently at 148MB/month and likely to exceed 757MB/month by 2015. Android ATPU seems to be lower than that of the iPhone largely because Android is diluted across all market segments from low- to high-end smartphones. However, ATPU of the iPhone has been already surpassed by ATPU associated with some heavy-weight Android models that have recorded ATPUs exceeding the 200MB/month mark.

Editor Note:

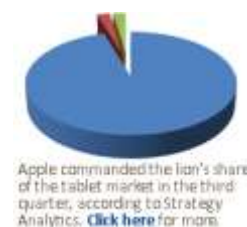
*This excludes mobile broadband traffic generated by laptops and other portable devices as well as Wi-Fi traffic offload that continue to represent the predominant majority of traffic generated by mobile phones.

<http://www.fiercemobilecontent.com>

Report: Apple Gobbled up 95% of Tablet Market in Q3

November 2, 2010

Apple's iPad continues to dominate the emerging tablet market, capturing 95 percent of the market in the third quarter, according to research firm Strategy Analytics. However, vendors promoting tablets that run on Google's Android platform will put more pressure on Apple in the quarters ahead, the firm said.



Global tablet sales jumped 26 percent in third quarter compared with the second quarter, Strategy Analytics said. Of the 4.4 million tablets shipped in the quarter, Apple accounted for 4.19 million. Android tablet sales made up just 2.3 percent of the market.

"The tablet wars are up and running. Apple has quickly leveraged its famous brand, an extensive retail presence and user-friendly design to develop the tablet segment into a multi-billion-dollar global business," Strategy Analytics analyst Neil Mawston said in a statement. "Android, Microsoft, MeeGo, webOS, Blackberry and other platforms are trailing in Apple's wake and they already have much ground to make up."

The most direct competitor to the iPad's dominance of the market is the Samsung Android-powered GalaxyTab. Sprint Nextel, T-Mobile USA and Verizon Wireless will start selling the 7-inch tablet this month. AT&T Mobility also plans to offer the product. Apple CEO Steve Jobs recently dismissed 7-inch tablets, arguing they are inadequate competitors to the iPad--which prompted a fierce rebuttal from Research In Motion co-CEO Jm Balsillie.

RIM expects to release its own 7-inch tablet, the PlayBook, beginning next year. According to a new survey conducted by ChangeWave Research, 8 percent of potential tablet buyers surveyed expressed interest in the device, which runs on software from QNX. The iPad dominated the survey, which was conducted in October and surveyed 3,108 potential tablet buyers. In that survey, 80 percent reported interest in Apple's gadget.

Apple also will face tablet competition from the likes of Motorola Hewlett-Packard, LG and others.

In other tablet news, Intel said that its "Oak Trail" chipset, designed for tablets, is on track and will start shipping early next year.

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Study: International Callers Spending \$34-Month

November 5, 2010

How many U.S. adults make international calls, and how much are they spending? Furthermore, why are they spending much at all when VoIP services are available?

Those are some questions that came up as part of a study conducted by Harris Interactive on behalf of mobile VoIP company Rebtel. The study found that one in four U.S. adults makes international calls, and of those who spend money to make such calls, the average spend is about \$34 a month. That works out to roughly 58.8 million Americans shelling out nearly \$1.98 billion in international calls outside of the U.S. monthly and \$23.8 billion annually.

For adults who make international calls, the majority (51 percent) do so using a landline, either a traditional landline

service provider and/or a VoIP service such as Vonage. Another 44 percent make international phone calls via their mobile phones – through carrier calling rates, special long distance packages and/or a VoIP service/application.

Another 25 percent of those who make international phone calls do so using their computer through software-based services like Skype, while 20 percent use calling cards and 4 percent use something else.

Rebtel believes that over the next few years, the dynamics will shift in its favor, with more switching to low cost calling solutions on mobile phones and away from the landline.

The study also found that of those who make international calls, men are more likely than women to do so via their computer through software-based services like Skype, and men are more likely than women to say that if they were going to change the way they make international calls, they would switch to use their mobile phone VoIP service/application or a landline.

As for ethnic groups, Hispanic respondents led the way in international calls, with 36 percent saying they make them, whereas only 26 percent of the Black/African American respondents said they make calls internationally. For those who spend money to make calls, the average spent per month is \$46 for Hispanic respondents, \$35 for Black/African American respondents and \$34 for the general U.S. population.

The survey was conducted online from Sept. 1-3 among 2,258 adults ages 18 and older.

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