

This Week's Stories

Report: Sprint, T-Mobile Scored High During Super Bowl

February 9, 2010

The folks over at Root Wireless were paying more attention to the coverage off the field than on the field at Super Bowl XLIV. The company turned out a report on which carrier provided the best network performance for the Big Game in Miami.

Monitoring network activity throughout the game, Root Wireless analyzed network speed tests designed not to determine absolute maximum data throughput speeds, but rather the actual performance experienced by smartphone users downloading and uploading data before, during and after the championship football game.

Sprint and T-Mobile USA emerged the winners last Sunday. Sprint's signal was the strongest, with 96 percent of full bars. The carrier's data service averaged 231 kbps when downloading and 68 kbps when uploading. Sprint's data connection failure rate was 9 percent, slightly higher than its typically reported failure rate.

T-Mobile had the fewest number of data connection failures, at 3 percent. Its data service averaged 237 kbps when downloading and the fastest upload data at 126 kbps. T-Mobile's signal strength averaged 72 percent of full bars.

According to Root's data, Verizon Wireless may have a bigger map but reported significantly more data connection failures than usual. According to Root, Verizon saw 11 percent of connection attempts failed and its transmission speeds were not in line with its typical performance, averaging 97 kbps when downloading data. Upload speeds averaged 58 kbps and Verizon's average signal strength was 54 percent of full bars.

AT&T provided the fastest data downloads, averaging 348 kbps. Its average upload speed was 68 kbps. But it wasn't all love for AT&T. The carrier had the highest rate of data connection failures as 16 percent of connection attempts on its network failed. AT&T's average signal was 81 percent of full bars.

Root conducted the tests using smartphones stationed at a fixed location in the Sun Life Stadium parking lot. The company ran the tests from 1 to 11 p.m. Feb. 7. Root notes the results were local to Sun Life Stadium; its testing across several metropolitan areas has confirmed that all network performance is local, varying from neighborhood to neighborhood and from service provider to service provider.

<http://www.wirelessweek.com>

Sprint Revenue Misses Expectations, Shares Plunge

February 10, 2010

Sprint Nextel Corp's fourth-quarter revenue fell 7 percent and missed Wall Street expectations as the No. 3 U.S. mobile service offered more price discounts to curb subscriber losses.

Sprint, whose shares fell 8 percent in morning trading on Wednesday, said it lost 504,000 customers who pay monthly bills. But that was better than the average estimate for a loss of 668,000 from six analysts contacted by Reuters.

The improvement came at a price, as Sprint's most recent calling price promotions hurt revenue in the quarter.

Revenue fell to \$7.87 billion from \$8.43 billion, and compared with the average forecast for \$8.03 billion.

Analysts also noted that it did not have any high-profile phones in the quarter -- unlike Verizon Wireless, which has seen strong growth from promoting the Motorola Inc's Droid, or AT&T Inc's sale of Apple Inc's iPhone.

"A lot of the growth is driven by the fact that they're being more aggressive on price. Upfront you're going to have to live with a little pain," Piper Jaffray analyst Christopher Larsen said of Sprint.

Sprint said it expects to lose fewer subscribers in 2010 than it did in 2009, but it would not say when it would see net additions in postpaid customers -- who pay monthly bills and tend to sign up for two-year service contracts -- or revenue growth again.

Sprint posted a loss of \$980 million, or 34 cents per share, for the quarter, compared with a loss of \$1.6 billion, or 57 cents per share, a year before. The latest quarter included a noncash tax-related charge of \$306 million.

Excluding the charge, the loss was 23 cents per share, compared with the average analyst expectation for a loss of 19 cents, according to Thomson Reuters I/B/E/S.

Analysts said Sprint's adjusted wireless profit margin was disappointing at 18.2 percent, which was down from 21.6 percent a year before and far lower than Verizon Wireless's 45 percent or AT&T's of just below 39 percent.

Sanford Bernstein analyst Craig Moffett said that was a concern to investors, particularly as Sprint's margin would have been 0.5 percentage point lower if it had not reduced fees paid to its wireline unit for connecting wireless towers.

"It certainly makes the optics of (adjusted) wireless margins look less bad at a time when wireless margins are the key controversy," said Moffett.

CEO TALKS ABOUT CONSOLIDATION

Chief Financial officer Robert Brust said Sprint's revenue was hurt by a recently launched pricing promotion, but added that part of the drop was related to seasonal usage trends.

"We do not expect further deterioration of this magnitude," Brust said on a conference call.

Executives said Sprint would take more action to cut costs, though they did not expect any more job cuts.

Sprint's average revenue per user fell a sequential \$4 in the fourth quarter, and the company forecast a decline of \$2 to \$4 in the current quarter.

Chief Executive Dan Hesse acknowledged that Sprint was having a tougher time competing with its bigger rivals, as well as T-Mobile USA, owned by Deutsche Telekom AG.

"It is getting more competitive, there's no question, from a pricing perspective," Hesse said on a conference call.

The CEO said some consolidation would be good for the industry, and mergers and acquisitions would be "absolutely" a way to grow if the price were right and synergies significant.

But he declined to comment specifically on Leap Wireless International Inc., which has hired advisers for a possible sale.

While many analysts see MetroPCS Communications Inc as the most logical buyer of Leap, some have speculated that it could make sense for Sprint to make a bid.

Moffett said Hesse's comments made it very clear that Sprint would take a serious look at buying Leap, which has a market capitalization of about \$1 billion.

Analysts see consolidation as a boost for the industry, which has seen tough price competition in the last year.

Sprint forecast full-year capital spending of \$2 billion and said it would generate positive free cash flow in 2010.

Its iDen network added 483,500 prepaid customers, who pay for calls in advance but do not commit to a contract, which was below Larsen's expectation for 575,000. These customers are less valuable than postpaid subscribers,

but Sprint has been depending on this segment for growth in the last year.

Executives said competition in prepaid has increased.

"It's a bit like squeezing a balloon. Any time it gets better in one part of the business, it seems to get worse somewhere else," Moffett said.

Sprint, which lost a total of 69,000 retail subscribers in the quarter, said it plans to improve churn in 2010.

<http://finance.yahoo.com>

Ericsson, Alca-Lu Score LTE Deal With AT&T

February 10, 2010

Ericsson and Alcatel-Lucent are big winners in the North American LTE race. AT&T announced this morning that the two firms will supply LTE radio access equipment for the company's LTE deployment scheduled for 2011. Financial details of the two contracts were not revealed.

This is the second big win for Ericsson and Alcatel-Lucent. Just a year ago Verizon Wireless announced that Ericsson and Alcatel-Lucent were that company's primary LTE infrastructure vendors. Verizon is on pace to roll out commercial LTE services this year to 100 million POPs across 25-30 markets.

Competition in LTE infrastructure market has been fierce. Asian vendors such as Huawei and ZTE have been trying hard to make inroads in North America. Earlier this year Huawei said it would add 600 jobs in North America in 2010. The company also opened its own LTE development lab in Texas. So far, Huawei has landed network contracts with Cox for its CDMA network and Clearwire for its WiMAX play.

In a release, AT&T said it had tested equipment from multiple suppliers in the field and in the lab, and that it chose to extend existing relationships with Alca-Lu and Ericsson--both of which provide equipment to the operator today. Specifically, AT&T said it will take advantage of compatibility between Alca-Lu and Ericsson's 3G equipment as it moves to LTE.

AT&T has been working hard to increase the data speeds and bandwidth of its network. In 2009, the firm upgraded its 3G cell sites across the country with HSPA 7.2 software. This year the company plans to upgrade its backhaul capacity using enhanced fiber-optic connectivity. AT&T plans to spend \$18 billion to \$19 billion on its network this year, notably above the \$17.3 billion it spent in 2009.

<http://www.fiercewireless.com>

Alcatel-Lucent Posts a Profit, But Cuts 2010 Outlook

February 11, 2010

Alcatel-Lucent reported a net profit in the fourth quarter, propelling it past its goal of being near break-even for 2009. However, the company cut its forecast for 2010, citing increased competitive pressure.

For the quarter, the vendor posted a net profit of \$63.2 million, just the second quarterly net profit it has recorded since 2006, when Alcatel bought Lucent Technologies. The figure is a sharp jump from the \$5.07 billion net loss the company reported in the fourth quarter last year, when it was hit by heavy write-downs. Alcatel-Lucent CEO Ben Verwaayen said the company reached near break-even at an adjusted operating income level for 2009.

Sales in the quarter slumped 19.9 percent year-over-year and 7.6 percent sequentially to \$5.45 billion. The company said its carrier segment saw a double-digit dip in revenue. The company's chief rivals, Ericsson and Nokia Siemens Networks, also saw declines in sales in the fourth quarter; Ericsson's sales were off 13 percent and Nokia Siemens saw its sales drop 16 percent.

Alcatel-Lucent, which is in the midst of a cost-cutting and turnaround plan, lowered its outlook for 2010. The firm predicted the overall market would grow between zero and 5 percent this year. However, the company said its adjusted operating margin would be between 1 percent and 5 percent this year--off from the company's previous prediction of 5 percent. Alcatel-Lucent said it hoped to achieve adjusted operating margins of between 5 percent and 9 percent for 2011.

The company was clearly taking the long view on its turnaround plans. "We are on a three-year path to recovery," Verwaayen said in an interview with the *Wall Street Journal*. "By 2011, it should be mission accomplished." Alca-Lu, which has been largely missing from recent LTE contracts in Europe, got a significant boost yesterday when AT&T Mobility selected the company and Ericsson as the primary vendors for its radio access network equipment for its planned LTE network. The two companies are also the primary suppliers for Verizon Wireless' LTE effort.

<http://www.fiercewireless.com>

Report: MetroPCS Hires Advisers For Possible Leap Purchase

February 11, 2010

Prepaid wireless player MetroPCS hired a pair of high-powered investment banking firms to advise it on a potential purchase of longtime rival Leap Wireless, according to a *Reuters* report. Citing unnamed sources, the report said MetroPCS hired JPMorgan Chase & Co. and Credit Suisse for advice on the action.

Representatives from MetroPCS did not immediately respond to requests for comment. A Leap Wireless spokesman said the carrier does not comment on rumor and speculation.

The news comes just weeks after the *Wall Street Journal* reported that Leap Wireless hired Goldman Sachs and formed a special committee of its board to consider various strategic options, including selling the company or merging with another carrier. According to the report, the advisers have been talking with other wireless carriers, including AT&T Mobility and Verizon Wireless, about possibly buying Leap, but the talks have not led to any kind of deal.

A tie-up between MetroPCS and Leap has been a constant topic of discussion since Leap rejected a \$4.7 billion takeover bid from MetroPCS in 2007. However, some analysts have discounted the likelihood of that marriage ever coming to pass, given the companies' reciprocal roaming agreement--inked in the fall of 2008--and their sometimes contentious relationship. But both operators have been stung by increased competition in the prepaid unlimited market by the likes of Sprint Nextel's Boost Mobile unit and TracFone's Straight Talk service.

Indeed, in the third quarter of last year Leap added just 115,000 subscribers and Metro added 66,000 subscribers--numbers paltry in comparison with their performance during the same period a year ago. Both Leap and Metro are scheduled to report fourth-quarter results Feb. 25.

Interestingly, it seems Wall Street doesn't have much interest in the latest twist in the long-running Leap-Metro soap opera; MetroPCS' stock remained relatively unchanged in trading this morning at around \$6 per share, while Leap's stock rose slightly to around \$15 per share.

In other MetroPCS news, law firm Robbins Umeda LLP said it launched an investigation into "possible breaches of fiduciary duty and other violations of state law by certain officers and directors at MetroPCS Communications." The firm said the carrier misled investors about its performance during much of last year. The firm said it is pushing a lawsuit filed on behalf of shareholders who owned MetroPCS stock between Feb. 26, 2009, and Nov. 4, 2009.

MetroPCS representatives did not immediately respond to requests for comment on the issue.

<http://www.fiercewireless.com>

Product & Service News

Is Skype Coming to Verizon Phones?

February 12, 2010

Verizon Wireless appears to have an alliance brewing with VoIP provider Skype. The two companies today announced they will be holding a joint news conference Tuesday at the upcoming Mobile World Congress trade show in Barcelona, Spain. Though neither company provided any further details, it's possible the firms will unveil a Skype client for Verizon handsets. Speaking at the press conference next week are John Stratton, executive vice president and chief marketing officer of Verizon Wireless, and Josh Silverman, CEO of Skype.

An alliance between the two long-time adversaries would be notable. Skype has openly challenged wireless carriers over what it perceives as their closed network mentality. In fact, Christopher Libertelli, Skype's senior director of government and regulatory affairs for North America, told *FierceWireless* in an interview last year that U.S. carriers were only paying lip service to the idea of open networks because they were fearful of what an open network strategy would do to their business model.

However, Verizon has become much more amenable to working with its former enemies. In October, the company announced a partnership with longtime rival Google, a teaming that has so far produced a handful of Verizon-powered Android phones. At the time, Verizon also said it would support Google Voice.

And Verizon isn't the only carrier easing on the topic. AT&T Mobility had long been criticized for preventing VoIP iPhone application from running on its 3G network. However, the carrier relented on the topic last year, thereby paving the way for Skype's iPhone app to transmit low-cost calls across its AT&T's cellular network (previously, only WiFi connections could carry VoIP calls).

<http://www.fiercewireless.com>

Panasonic Offers Beefy -- and Costly -- iPad Competition

February 11, 2010



Apple's new iPad tablet computer may be fine for surfing the web and

, Inc.

watching surfing movies, but Panasonic Computer Solutions thinks many field workers need a tougher companion. On Wednesday, the maker of Toughbook mobile computers released its Toughbook H1 Field, described as "the world's most rugged handheld tablet computer."

The new model is targeted at field sales personnel, first responders, supervisors, inspectors, maintenance workers, and other mobile professionals.

No Wimp

Kyp Wallis, Panasonic's director of product management, said the H1 is "best positioned to meet the computing needs" of both highly mobile workers and their IT administrators. He added that the model's design is "based on extensive customer input to ensure it had the right mix of form factor, features and durability to maximize worker productivity and value."

The H1 is no wimp. It meets military spec MIL-STD-810G, and is rated able to withstand a six-foot drop. The chassis is magnesium alloy, encased in polycarbonate, and the sealed all-weather design is IP65-certified. The operating temperature range is -4 degrees to 140 degrees Fahrenheit.

Built around a 1.86-GHz Intel Atom processor with 2GB of RAM, the unit has six hours of battery life, can handle twin hot-swappable batteries, and has a 10.4-inch dual-touch display. A 64GB solid-state drive is reinforced, and there is an optional 2.0-megapixel autofocus camera with dual LED lights.

There's also an optional SmartCard, RFID, bar code readers, GPS and Qualcomm's new Gobi2000 mobile broadband technology. At launch, the H1 Field is certified for Sprint Nextel and Verizon Wireless networks, and Panasonic said other carriers will soon be announced.

'Exceptional Ergonomics'

For workers who would use this device in direct sunlight, the screen has a circular polarizer, as well as antiglare and antireflective screen treatments.

Since many of the target users would be holding the unit for much of the workday, Panasonic said it utilized "exceptional ergonomics" so that a hand is "comfortably cradled" between the device and the molded hand strap. Attention was also paid to creating a well-balanced center of gravity in the 3.4-pound unit, as well as making sure that there are no areas of the tablet that heat up over time.

For security, options include a contactless or insertable SmartCard reader and a fingerprint reader.

Avi Greengart, an analyst with industry research firm Current Analysis, noted that the H1 Field runs Windows 7, which means there are already "thousands" of applications for vertical markets that will work on the device.

There are some business uses for which the iPad is well suited, he said. These include census work, light inventory, or taking surveys at shopping centers. "However," he added, "for outside environments where you need a rugged computer," the iPad is not the best choice.

But the iPad starts at \$499. The base H1 Field model is expected to start at about \$3,300 when it is available next month.

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

Industry Reports

The Mobile Internet: The Consumer Will Decide

February 10, 2010

Blink and you just might miss something in the world of mobile. More than 450 million people around the world are now using their cell phones to access the Internet, a figure that will rise to 1 billion by 2013, according to IDC. Right now, to keep up with demand, Apple is receiving approximately 10,000 new app submissions per week and needs to approve 692 apps per day.

The rate of growth of the mobile Internet is faster than the adoption of TV, radio and the desktop Internet. We are right in the middle of the biggest technology paradigm shift in the history of computing.

Not only is the mobile Internet changing everyday lives, it is shifting the landscape of the telecommunications industry. ABI recently predicted that 4G mobile consumer service revenue in 2014 will top \$70 billion. That's a huge opportunity for the companies that get this right.

The pace of change cannot be underestimated and the window of opportunity is short. Gartner analysts recently commented that "telecom carriers (particularly those in mature markets) intent on pursuing non-traditional service opportunities need to act now, if they have not done so already."

Consumers are aware of these possibilities and are eager to take advantage of them. What users expect, apart from an affordable and easy-to-understand pricing model, is a superior user experience and access to innovative services, applications and content. They want to access

these services on any device at any time from any place. Great examples of this already exist, but finding them all in the same place seems next to impossible. Apple has already demonstrated the rewards for those that can bring these services together in a seamless and rich user experience.

The only way to exploit the opportunity offered by the mobile Internet is to provide easy to use, compelling applications and services that "just work" every time, regardless of the mobile device or operating system. It is imperative that mobile operators, device manufacturers and application developers start looking for more effective ways to work together. This will require new thinking in terms of new business models and partnerships, rather than hoping old models will deliver in this new world. But too many operators; especially some of the world's leading ones; are dragging their feet and not embracing these realities.

In the fixed Internet business, carriers sell Internet access to customers and have little control over what the customer does on the Internet. It does not matter what applications the customer runs; if they play online games, watch videos, upload photos or make a video call with their friends and family, it's all part of the package. Sometimes users may pay extra for certain services their provider is offering, like video on demand.

Conversely, in the mobile business, some carriers are playing an over-dominating role and are trying to broaden their control to protect existing revenue streams or open up new ones. They think they can decide which services and applications their customers will be allowed to use over their network infrastructure. Nonetheless, examples are emerging of carriers opening up their networks. But this is still piecemeal. Only a few are taking the bold steps needed to lead and win.

So, as mobile operators look to rebuild their business models, I believe there are two valuable insights from the fixed Internet environment. First, consumers don't like monoliths. Partnerships with specialists, rather than domination by generalists, foster innovation and lead to the creation of compelling new applications and services that drive consumer adoption and, ultimately, revenue. The likes of Facebook, MySpace and Twitter have led the social media boom. The big have been surpassed by the nimble to the point that they must rely on risky and expensive acquisitions to try to catch up.

The second lesson is around the importance of applications. People flocked to the Internet because of the innovative services that were available online, not because of the infrastructure. The initial killer application was e-mail. Then, e-commerce services like book sales, travel booking and online auctions further drove the Internet's popularity.

Skype, which sits right at the center of this shift, is often accused of taking something away from operators. Let me set the record straight and give a concrete example in which Skype has partnered with a mobile operator and is helping deliver the key performance metrics that any service provider wants from their business – higher ARPU, new user acquisition at lower costs and reduced churn.

There is no better illustration of this than the partnerships we have formed with Hutchison Whampoa's 3 in the U.K. 3 is challenging its competitors by allowing mobile Skype calls over the Internet at no extra cost. It is providing its customers with tangible value and a comprehensive user experience by integrating the Skype application into a wide range of mobile handsets. In the U.K., over a billion minutes of Skype calls have been made on 3's network, which is estimated to represent a savings of over £120 million (\$187 million) for U.K. consumers.

Those 3 U.K. customers who use Skype generate 20 percent higher margins. A survey undertaken by 3 in August 2009 revealed that, on average, users of Skype used 17 percent more traditional voice minutes than non-users. As well as being a valuable customer acquisition tool, Skype users on 3 U.K. have a lower churn rate and higher ARPU.

This clearly demonstrates that innovative applications like Skype do not threaten the revenues of operators, but can, in fact, deliver improved financial results. It also shows that mobile operators that embrace Skype can differentiate themselves from their competitors and tap into Skype's existing community of more than 520 million registered users to attract new subscribers.

Smart, forward-thinking operators around the world are coming to the same conclusion. The Web is an application-centric environment and it must be no different on the mobile Internet. Embracing the most popular applications, like Skype, is the best way to take advantage of its massive potential. Consumers will add these applications to their devices on their own if they have to. Just look at the more than 12 million people who have downloaded Skype onto their iPhones in less than 12 months.

The most financially beneficial way for the mobile industry to tap into this demand is to partner with those companies that are coming from the fixed Internet world that are best-in-class specialists in their field, pragmatic and open to partnerships that will ensure carriers do have a significant and lucrative role to play in this mobile future.

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