

This Week's Stories

FCC Opening Inquiry into Wireless 'Bill Shock'

May 11, 2010

The FCC said it will explore whether wireless carriers should be required to warn subscribers when they are incurring roaming charges or overage fees. The inquiry is part of the FCC's broader truth-in-billing effort, which it launched in August.

The inquiry, which aligns with a similar warning system recently imposed on European carriers by the European Union, will seek public comment on a variety of issues, including the extent to which consumers can currently monitor their wireless usage and know when they reach their allotment of voice minutes, text messages or data usage. The inquiry will also look into which carriers provide usage alerts and how much they cost; whether usage controls should be implemented on voice services, data services or both; and how people with disabilities can access their billing information.

The CTIA said it will work with the FCC on the inquiry. "Each of the four large carriers, as well as many smaller carriers, provide consumers the ability to monitor how many minutes, how much data and how many texts they have used for free by simply typing key phrases in their phone such as *MIN, *BAL, # MIN, #DATA, *2 and more," CTIA President Steve Largent said in a statement. "Consumers can also call their carriers or check their usage via their carriers' websites. Even though the 'hundreds of complaints' that the Public Notice references is less than four ten-thousandths of a percentage of the industry's total subscribers, the industry strives to serve and provide all of our 285 million customers with the necessary tools to have a positive experience."

"Bill shock"--wherein customers receive enormous bills for charges they did not realize they were incurring--was recently highlighted by a Verizon Wireless customer who is trying to fight a \$18,000 wireless bill. Verizon, for its part, said it offers numerous tools for customers to monitor their usage and manage their plans.

<http://www.fiercewireless.com>

Cox Bets on Mobile Phones to Lure AT&T, Verizon Users

May 12, 2010

Cox Communications Inc. is set to become the first U.S. cable company to offer wireless service to consumers and businesses as it looks to bundle mobile-phone calls on the same bill as Web, TV and landline phone service.

Cox will start its consumer mobile service in three markets -- Orange County, California; Omaha, Nebraska; and Hampton Roads, Virginia -- in the next two to three months, President Pat Esser said in an interview. Cox Business's wireless plans will also be rolled out first in those markets.

The third-biggest U.S. cable operator is challenging phone carriers AT&T Inc. and Verizon Communications Inc., which are expanding onto cable companies' turf with TV services. Cox has kicked off a teaser advertising campaign called "Unbelievably Fair" for its offering, said Esser. About 24 percent of Cox's customers said they'd be willing to switch to its mobile offering, he said.

"We've been trying to integrate our services so it is the fourth leg of our bundle," Esser said. "Mobility allows us to overlay a wireless mesh on our wired network that gives people the ability to access content, entertainment, and communications outside of the home."

Cox has taken a different wireless approach than its larger peers Comcast Corp. and Time Warner Cable Inc., which are using Clearwire Corp.'s so-called 4G network to sell only data offerings in select markets. Cox will use Sprint Nextel Corp.'s so-called 3G network for its wireless service, and also is building its own network, Esser said.

The company wouldn't disclose when its mobile-phone service will be available to its entire footprint.

Faster Network

Cox plans to upgrade its network to long-term evolution 4G technology, with trials already going on in Phoenix and San Diego, Esser said. The company has signed on several handset providers, he said, without disclosing names.

The cable operator plans to integrate its wireless service in a bundle and plans marketing efforts to persuade customers to switch providers, Esser said. For example, customers who sign onto a website to learn more about its wireless offerings may receive a free on-demand movie.

Cox is closely held and based in Atlanta. The company has no immediate plans to go public, Esser said. Cox is using its free cash flow to pay down debt and make investments, Esser said. He declined to comment on whether Cox plans to make a competitive bid for Qwest Communications International Inc., which is being bought by CenturyTel Inc. for about \$10 billion, only saying Qwest is a competitor in many regions.

<http://www.businessweek.com>

Verizon in Talks With Rural Firms

May 13, 2010

Verizon Wireless is in talks with a number of rural telephone carriers to license its wireless spectrum, potentially helping to bring faster wireless broadband service to remote areas of the U.S.

Verizon Wireless Chief Executive Lowell McAdam said the move—unusual because carriers typically guard spectrum, which is expensive and scarce—will help it more quickly expand the reach of its new fourth-generation network, which it plans to launch in 25 to 30 cities by the end of the year. Verizon Wireless, a joint venture of Verizon Communications Inc. and Vodafone Group PLC, paid \$4.7 billion in 2008 for the nationwide 700 MHz spectrum.

The move could also pay political dividends at a time when U.S. regulators are proposing to bring broadband networks under some of the same regulations that tightly govern telephone lines. The Obama administration has made it a priority to extend fast Internet connections to rural areas, and the Federal Communications Commission's push to regulate broadband networks is intended in part to carry out that mandate.

"These rural markets would take us a while to get to," Mr. McAdam said in an interview.

Under the proposed arrangements, Verizon would license spectrum for a small fee to local carriers, which would sell the service. Either Verizon or the carrier could handle the job of installing the equipment. Verizon is also striking data roaming agreements with the rural carriers to let their customers use the rest of Verizon's network when they're traveling.

Agreements would let Verizon Wireless cover more of the country with its 4G network, which runs on Long Term Evolution, or LTE, technology. "All rural carriers need to figure out how they're going to get into LTE, period," says Pat Riordan, CEO of Cellcom, a carrier based in Green Bay, Wis. Verizon has been in talks with the 250,000-customer carrier but has yet to sign a deal.

But because the number of carriers in rural areas is small, the deals aren't something from which Verizon expects to make a windfall, according to Mr. McAdam. "This is not something we're looking to make a lot of money from," he said.

The FCC recently caught the ire of telecom and cable companies when it announced that it is considering applying more-stringent regulation to broadband Internet providers. The regulatory uncertainty has worried the nation's communications companies that foot the bill for the industry's billions of dollars in capital expenditure every

year, raising questions on what the FCC's move will mean for continued investment and jobs.

<http://online.wsj.com>

Product & Service News

Sprint Won't Support Google's Nexus One

May 10, 2010

Sprint Nextel is discontinuing its planned support for Google's HTC-made Nexus One in favor of the forthcoming HTC Evo 4G, dealing another blow to Google's direct-to-consumer strategy for the phone.

The carrier's decision comes in the wake of Google's move late last month to scrap plans to sell a version of its Nexus One smartphone that supports Verizon Wireless' network. Instead, Google urged customers interested in the device to buy the HTC Droid Incredible from Verizon, which Google described as a cousin to the Nexus One. Sprint plans to launch the WiMAX-powered Evo sometime this summer.

"We are not bringing in Nexus One as Evo 4G is more robust in 3G markets and amazing in the growing number of 4G areas," Sprint spokeswoman Michelle Leff Mermelstein told *Phone Scoop*. Sprint first announced in March it would offer the phone, and hinted that it would also subsidize the gadget. Sprint's decision essentially kills the idea of allowing CDMA subscribers to access the phone.

Currently, Google sells the Nexus One for \$529 unlocked (with versions that work for AT&T Mobility and T-Mobile USA's 3G networks), and \$179 when paired with a T-Mobile contract. T-Mobile is the only carrier that offers a subsidized version of the device.

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Verizon, Google Teaming Up for Android Tablet

May 12, 2010



Motorola showed off a prototype LTE Android tablet at this year's Consumer Electronics Show in January.

Verizon Wireless plans to launch a tablet based on Google's Android platform, and a host of other connected devices, in a bid to catch up with rival AT&T Mobility on the tablet front. The move also deepens the relationship Verizon forged with Google last fall, when the two announced a multi-year collaboration on devices.

"What do we think the next big wave of opportunities are?" Verizon Wireless CEO Lowell McAdam said in an interview with the *Wall Street Journal*. "We're working on tablets together, for example. We're looking at all the things Google has in its archives that we could put on a tablet to make it a great experience."

Verizon has declined to discuss when it will release the tablet, how much it might cost and which company might make the device. A Verizon spokesman, Marquett Smith, told *Bloomberg* that the device will run on Android and that Verizon will unveil more details later this week.

Google, for its part, is staying mum on the potential tablet. "Anyone can take the Android platform and add code or download it to create a mobile device without restrictions," the company said in a statement, according to *Bloomberg*. "We look forward to seeing what contributions are made and how an open platform spurs innovation."

Despite the headline-grabbing *WSJ* interview, an Android tablet on Verizon's network is not entirely without precedent. At the Consumer Electronics Show in January, Motorola demonstrated a prototype Android tablet running on Verizon's forthcoming LTE network, and noted that, if commercialized, the device could be released for sale by the fourth quarter of this year.

Though the tablet likely will be a rival to Apple's iPad, some have already begun to speculate that the announcement by Verizon is an attempt to gain leverage in negotiations for Apple's iPhone. Neither company has given any indication that the iPhone is coming to Verizon, but rumors on the potential teaming continue unabated.

With 90 percent cell phone penetration in the United States, carriers have turned increasingly to devices such as netbooks, ereaders and other connected devices to provide new revenue streams. AT&T has several high-profile devices in its stable, including the international version of Amazon's Kindle and the Nook ereader from Barnes & Noble.

McAdam acknowledged that Verizon is playing catch up in the race for connected devices due to AT&T's GSM advantage (GSM commands a far greater share of the worldwide wireless industry than Verizon's CDMA technology). AT&T was able to get out of the box faster, McAdam said, but noted Verizon will have several devices to show off early next year once its LTE network is operational.

Verizon plans to launch 25-30 commercial LTE markets in the fourth quarter, covering 100 million POPs. Without going into exact pricing specifics, McAdam gave another indication that the LTE network will feature usage-based pricing. "The old model of one price plan per device is going to fall away," he said, noting that carriers will tailor plans for a "bucket of megabytes." He also said customers will likely have to pay more for connecting multiple devices to next-generation networks.

<http://www.fiercewireless.com>

Mergers/Acquisitions/Partnerships

SAP Buying Sybase for \$5.8B as it Battles Oracle

May 13, 2010

German business software maker SAP AG has agreed to buy Sybase in a \$5.8 billion deal that ratchets up SAP's rivalry with database leader Oracle.

The acquisition is the first big move by SAP's new co-CEOs Bill McDermott and Jim Hagemann Snabe, who took over in February after the previous CEO, Leo Apotheker, suddenly resigned. The resignation came amid concerns over SAP's faltering finances and its ability to counter the mounting threat from Oracle.

SAP and Oracle are battling to run more of the programs that corporations use to manage their data. Their businesses overlap even more with SAP's purchase of Sybase.

As the world's leading maker of business-software applications, SAP has had the luxury of being largely quiet when it comes to acquisitions. It hasn't had to buy its way in to many new markets.

Its last major acquisition was in 2008, when it bought Paris-based Business Objects for \$6.8 billion. That company's "business intelligence" software helps companies analyze their data and spot patterns to help them make decisions.

Oracle, meanwhile, has been on a \$40 billion buying binge since 2004 in what in most cases has been an attempt to muscle into SAP's markets.

Oracle's primary business is making database software, an area where it's the world's leader with more than 40 percent of the market. Databases help companies store their information and retrieve it later through computer programs. Sybase is a small player in that market, with about 2 or 3 percent market share. Its absorption by SAP puts SAP into more direct competition with Oracle in that area.

SAP said the acquisition also gives it technology that's useful in a fast-growing area: making business software run on mobile phones. Making applications and data that's stored inside a corporate network easily accessible on "smart" phones is a technical challenge that SAP says Sybase's software will help it solve.

Additionally, Sybase operates a messaging network that reaches 4 billion mobile subscribers and allows its customers to reach their customers and employees by sending alerts and do transactions via mobile devices.

McDermott, the SAP co-CEO, said the deal combines "the world's best business software with the world's most powerful mobile infrastructure platform." He called it a "game-changing transaction" for SAP and Sybase customers.

SAP is offering \$65 for each outstanding share of Sybase's common stock. Sybase's stock hadn't closed above \$50 per share since the mid-1990s.

Before the announcement, shares of Sybase rose 35 percent to \$56.14 on rumors of the deal. In extended trading, stocks rose an additional 15 percent to \$64.30.

The deal is expected to close in the third quarter, provided it is cleared by antitrust regulators. SAP, based in Walldorf, Germany, said the deal will immediately add to SAP's earnings. Sybase is headquartered in Dublin, Calif., in a building that's across a freeway from the old headquarters of PeopleSoft, the SAP and Oracle rival that Oracle bought in 2004 after a bruising fight that kicked off Oracle's acquisition binge and transformation into a bigger threat to SAP. Oracle now occupies the building.

<http://www.wirelessweek.com>

Industry News

FCC Study Estimate \$23.5 Billion Needed to Bring Broadband to Unserved Areas

May 10, 2010

Approximately 90% of the 7 million U.S. homes that are not able to get broadband connectivity could be most economically served by a fixed wireless solution, according to the results of a study presented yesterday by Federal Communications Commission officials.

The remaining 10% of homes, which are primarily in areas with low population density and uneven terrain, would be most economically served using DSL. The study estimated the total cost of bringing broadband at speeds of at least 4 MB/s to the 7 million unserved homes, which house approximately 14 million people, at \$23.5 billion.

Researchers used a "net present value" model in arriving at their estimate, said FCC Deployment Director Rob Curtis. The study looked at "the extra cost of deploying [broadband] on [top of] current infrastructure," he said, adding that researchers used a "granular" approach aimed at capturing economies of scale.

In presenting the study findings, Curtis and FCC Infrastructure Manager Steve Rosenberg emphasized that it was not their responsibility to make decisions about which technology should be supported by Universal Service funding, which regulators want to extend to cover broadband connectivity. Underscoring this thinking, the study actually used the more expensive of the two technologies for individual areas in arriving at the \$23.5 billion estimate.

Researchers also looked at the cost of bringing broadband to unserved areas using other technologies such as fiber to the premises, but found those alternatives to be more costly in all cases. Curtis also noted that the estimate of the cost to provide broadband service using fixed wireless was based on using 700 MHz spectrum, which has excellent propagation characteristics. In the PCS band the cost to deploy broadband service would double, Curtis said.

Ironically, broadband stimulus awards granted to date have emphasized fiber-based projects. It's worth noting, though, that the new FCC study essentially looked at the cost of providing "last-mile" connectivity, which has been the primary focus of the Rural Utilities Service, while the National Telecommunications and Information Agency has focused on "middle-mile" connectivity and connectivity to anchor institutions. Many RUS awards included a loan, as well as a grant component, which means the economic

analysis would not be directly comparable to the approach that the FCC used in the new study.

Another consideration is that in the first funding round more applicants proposed fiber projects than wireless projects. Connected Planet has not yet seen an analysis of applications made in the second round of broadband stimulus funding, but in view of progress made in developing 700 MHz equipment, they may include a higher percentage of wireless projects. Certainly several of the more ambitious applicants have proposed wireless.

<http://connectedplanetonline.com>

CDC: 1 in 4 Households are Wireless-only

May 14, 2010

One of every four U.S. households has cut the cord, according to a survey conducted by the Center for Disease Control (CDC).

The CDC reported that 24.5 percent of U.S. households used only wireless phones in the second half of last year, up from 22.7 percent in the first half of last year. In addition, one of every seven households had a landline but received almost all of their calls on cell phones.

The agency also found major differences in wireline defection across age and demographic groups. Nearly half of adults between the ages of 25 and 29 lived in wireless-only households, compared with just 14.9 percent of adults between the ages of 45 and 64.

Adults living in poverty or near poverty were more likely to live in a wireless-only household than higher-income adults.

The findings were released in the agency's preliminary results from its July-December 2009 National Health Interview Survey (NHIS). The NHIS information on household telephone status was obtained for 21,375 households that included at least one civilian adult or child. These households included 40,619 civilian adults aged 18 years and over and 14,984 children under age 18.

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