

This Week's Stories

Motorola Warns of Dependence on Verizon

February 23, 2011

Motorola Mobility has warned investors that more than a quarter of its device revenues come from sales to Verizon Wireless, according an annual report filed with the FCC Tuesday.

About 28 percent of Motorola's net revenues last year stemmed from devices sold to Verizon Wireless, which is heavily invested in Motorola's Droid franchise.

Motorola said its business could take a hit if large customers like Verizon or Sprint Nextel cut their smartphone orders in favor of competing devices from other manufacturers.

"It may be difficult to replace or find new large customers, especially with increasing concentration in the U.S. where there are a limited number of carriers," the company wrote in its 10-K. "If any significant customer, particularly Verizon or Sprint Nextel or other large customers, such as Comcast, stopped doing business with us, or significantly reduced the level of business they do with us, it could impact our ability to service other customers using similar technology and our financial results could be negatively impacted."

Sprint and Verizon have become increasingly important customers to Motorola over the past two years, comprising an increasing share of the company's device sales. Verizon accounted for 17 percent of Motorola's net device revenue in 2009, up from 13 percent in 2008. Sales to Sprint Nextel accounted for 13 percent of Motorola's device revenue in 2009, up from 7 percent in 2008.

Motorola's Android smartphone lineup, which includes the Droid, Droid X and Droid Pro, helped Verizon compete against the iPhone before it began carrying the device this month, putting an end to AT&T's multi-year exclusivity arrangement.

Motorola did not specifically mention the iPhone as a risk factor in its report, but the iPhone has attracted millions of new customers to AT&T since it launched with the carrier in 2007 and some have speculated that demand for Motorola's Droid devices could slacken after the iPhone becomes available at Verizon.

Motorola does not have any long-term exclusivity arrangements or bulk sale commitments with its carrier customers, who can cancel orders with little

advance notice. More than half of its total device sales come from its top five carrier customers, including Verizon and Sprint. Motorola shipped 13.7 million Android devices last year.

Motorola Mobility recently separated from Motorola Solutions to become a stand-alone company focused on smartphones and set-top boxes, and the company warned it may be difficult to remain profitable after four years of nearly continuous losses. The company reversed a long string of losses in the fourth quarter of last year, when it posted an \$80 million profit on sales of \$3.4 billion.

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China Launches New State-run Search Engine

February 22, 2011

China has unveiled a new government-run search engine that will square off against market leader Baidu.

Launched today and operated by telecom company China Mobile and state-run news agency Xinhua, Panguso will let people search for news, Web sites, images, videos, and audio, according to Xinhua. Mobile phone users will also be able to tap into Panguso directly and send search results to their PCs via SMS.

The partnership between Xinhua and China Mobile to build a new search engine was first revealed last summer. Xinhua's role will be to supply the news and information, while China Mobile will deliver behind-the-scenes technology and provide the mobile piece for China's growing number of cell phone users.

"China Mobile would like to create a brand new search engine that meets the demand of the market and consumers and links the Internet with cell phones," China Mobile chairman Wang Jianzhou said at a ceremony to launch the search engine.

Panguso will also to fill a gap left open by Google, which moved its Chinese-based search engine to Hong Kong almost a year ago after running into conflict with the Beijing government over the censorship of search results. However, the new state-run search engine will face off against Baidu, which already holds almost a 75 percent share in China.

With hundreds of millions of Internet users in China, Wang said the market is wide open.

"Although the online search market is highly competitive and several domestic and foreign players

have taken their share, the market still has huge potential," he said.

Panguso, of course, will filter results as dictated by the Chinese government. A search of various politically sensitive topics by Reuters turned up nothing or results expressing only the viewpoint of the government.

news.cnet.com

German iPhone App Guides Handicapped Around Cities

February 22, 2011

Raul Krauthausen, who has used a wheelchair since childhood, has always been uncomfortable with the services Germany provides for the physically handicapped, like special taxis and grocery delivery — saying they feel patronizing and further isolate him from the able-bodied world.

So Krauthausen took matters into his own hands and launched wheelmap.org, an iPhone application and website in German and English that allows users to share ratings and tips on how accessible shops, bars and other places are.

"Sometimes I feel I'm treated like a child who isn't allowed to decide specific things by myself," said the 30-year-old who suffers from a genetic disorder that makes his bones brittle. "I want to remain flexible and not be dependent on when a driving service has time to pick me up."

It turned out he wasn't the only one who felt that way. With some 300 new user-ratings daily, wheelmap.org now has details on 30,000 locations. Around 80 percent of tagged spots are in Germany, but site ratings for cities like London and New York are slowly growing, Krauthausen said.

"Wheelmap.org wants to help show people with mobility impairments everything that's achievable," he said.

Krauthausen attributes Wheelmap's success to its availability as an iPhone application and the "Wiki principle" — the idea that anyone, anywhere can contribute. Users rate locations without registering, but must log in to add specific comments.

Ingo Stoecker, a regular user and beta tester for the app, said he hopes the site will encourage often reclusive handicapped urbanites to explore surroundings they see as potentially perilous to

navigate. Some 4.5 million of Germany's 82 million people are physically handicapped.

"Most or many wheelchair users are rather introverted — they'd rather not go out," said Stoecker, who suffers from a birth defect resulting in incomplete spinal development.

"I think if they knew of such an app, they would maybe get out more."

Stoecker, 30, can navigate very short distances on crutches and drive a special car. He uses Wheelmap to find bars or cinemas for weekend nights in Berlin or traveling outside the city with friends from his wheelchair basketball team.

"It's helpful when our team is on the road to unknown cities where we have games," he said on a recent day, using the app to pick out a not-yet rated sandwich shop in Berlin's Alexanderplatz. "We can see how to get around and what there is to do."

On the iPhone app, locations are tagged as either green, yellow or red — totally, partially and not at all accessible. Unrated locations are gray.

Stoecker rated the sandwich shop yellow. It had a curb about four inches (10 cm) high — low enough for him but prohibitive for more disabled urbanites.

While many large cities from San Diego to Vienna offer guidebooks for handicapped visitors, Anette Stein, an education researcher at the Bertelsmann Foundation think tank, and other experts said they were unaware of any other application that allowed users to add instant comment.

"I find the Wheelmap project highly exciting and can well imagine that it could spread through social networks and consequently see enormous growth," Stein said.

Beyond helping the handicapped, Krauthausen said he hopes Wheelmap will persuade more business owners to make their stores barrier-free, something Germany legally requires, but in reality is often not implemented.

"Often it's simply a matter of one or two steps preventing you from getting in. For that, there's a cheap solution," he said.

Stein said change will come if businesses see themselves losing customers or developing reputations as handicapped-unfriendly.

"Wheelmap generates a type of pressure on proprietors and establishments and will arguably cultivate an interest for them not to be shown as gray or red, but as green" Stein said.

To finance wheelmap.org, Krauthausen has relied on both private donations and a governmental stipend.

Though he welcomes the public funds, he worries the government might be trying to "buy its way out" of the problem of making handicapped Germans more independent.

"The whole reason there are organizations like ours is because the government has failed to do anything themselves," he said.

Krauthausen and Stein both pointed to a 2007 United Nations study rating Germany as one of the worst industrialized nations for handicapped accessibility.

The Labor Ministry said things are improving, and that the U.N. study has been a catalyst for improving federal initiatives to aid the disabled; the Cabinet is expected to pass an action plan, written with a focus group of handicapped Germans, in March.

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Products & Services

FCC: Verizon Dropped Thousands of 911 Calls During Snowstorm

February 22, 2011

The FCC is asking Verizon to explain why it dropped thousands of wireless 911 calls placed over its trunks in Maryland during a snowstorm in late January.

According to a letter from FCC public safety and security chief James Arden Barnett, about 8,300 wireless 911 calls to the Montgomery County Public Safety Answering Point routed over the Verizon network were not connected and an additional 1,700 wireless calls to the Prince George's County PSAP were not connected during a Jan. 26 blizzard in Maryland, where both counties are located.

"The large number of missed 9-1-1 calls on January 26 is truly alarming," Barnett wrote. "I therefore request that Verizon provide an explanation of the causes of this and similar failures, provide Verizon's assessment of the possibility of occurrence in other locations and describe what actions Verizon is taking to prevent recurrence of these problems."

Barnett said that reports filed with the FCC indicated that Verizon's system automatically took one of its wireless 911 trunks out of service at 5:15 p.m. on Jan. 26. In a little over three hours, the system took out each of the 14 trunks handling wireless calls so that all the trunks handling wireless 911 traffic in Montgomery County were taken out of service by 8:45 p.m.

The trunks have working alarms, but Verizon did not notify the PSAPs of the failure after the alarms went off, according to the letter. The Montgomery County PSAP recognized the problem just prior to 11 p.m. and notified Verizon. By 11:15 p.m., Verizon had placed all the trunks back into service.

"It is our understanding that this was not an overload. We understand that it is normal in large-scale emergencies for the call volume to exceed the trunk capacity, in which case calls will be blocked until another trunk opens up," Barnett wrote. "In this instance, however, the Verizon system took each of the fourteen trunks handling wireless calls out of service sequentially so that they could not receive any more calls."

A similar problem happened that same evening with Prince George's County PSAP, where eight of the 10 trunks that serve wireless calls were taken out of service automatically by Verizon's system on Jan. 26 by 8:30 p.m., with a ninth trunk taken out shortly afterwards. Four were restored by 10:30 p.m.; all trunks were finally restored by approximately 11 p.m.

The outages on Jan. 26 were "not unique," wrote Barnett. Both counties had experienced prior outages similar to the problems that occurred during the late January snowstorm, including a July 25 incident that resulted in delayed urgent medical attention for a caller who was unable to reach 911. In all cases, Verizon did not notify the PSAPs when the outages occurred, Barnett said.

Instead, the PSAPs became aware of the outages only when they received complaints from callers or were notified by another PSAP. The PSAPs then notified Verizon.

"We are particularly concerned that this problem may be widespread across Verizon's footprint," Barnett wrote.

The FCC is asking Verizon to provide information by March 10 about whether the problem is localized to certain routers, if it has happened in other states, and what solutions there are to the outages.

Verizon Communications said it is taking the matter seriously and is "working cooperatively" to answer the FCC's questions.

"Our objective is to provide the best service to our customers, and we will continue to work with 911 centers and others to ensure that callers receive the level of service they deserve and expect when they call 911," said Harry Mitchell, director of public relations for Verizon Communications, in a statement.

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Update 'Bricks' Some Windows Phone 7 Devices

February 22, 2011

For a small number of Windows Phone 7 devices, the platform's first software update has an unintended consequence: The updated phones won't work.

The minor update, which began Monday, was intended to streamline the update process software itself and make it easier for users to know when an update is available. That, said Microsoft Windows team blogger Michael Stroh, is "paving the way for all future goodie-filled updates to your phone, such as copy and paste or improved marketplace search."

First Update the Updater

Those goodies are scheduled for the first two weeks of March.

But commenters on the Windows Phone answer forum and tweets to the Windows Phone Help center on Twitter indicate the phone can get stuck in the update process and, in some cases, cause the device to brick, or become unusable. The update isn't over the air, but requires connecting to a computer and using Microsoft's Zune system for PCs or Windows Phone 7 Connector for the Mac, although notifications of the update came over the air.

Stroh's blog post didn't mention the difficulties, but he does warn that "if you've installed the Zune software or the Windows Phone 7 Connector in the past, you might actually need to update that program first and then use it to update your phone. If that's the case, you'll know. Just follow the on-screen instructions, restart the software, and then connect your phone."

The user problems were first reported by Computerworld and eWeek on Tuesday morning.

In response to our inquiry, a Microsoft spokesperson said in an e-mail, "We are investigating reports related to the Windows Phone update process and will

provide additional information and guidance as it becomes available."

Wireless analyst Kirk Parsons of J.D. Power and Associates said a few kinks can be expected when an update goes out to millions of phones.

Common Problem

"Software upgrades are common practice and occasionally experience minor snafus that in most cases get fixed rather quickly," he said. "Let's see how quick Microsoft fixes this issue."

Last April a Verizon Wireless update of Android 2.1 for its Motorola Droid caused some users to experience graphics slowdowns in some applications.

Windows Phone 7 debuted in November and powers the LG Quantum, HTC Surround, and Samsung Focus carried by AT&T as well as the HTC HD7 and Dell Venue Pro carried by T-Mobile.

AT&T announced last month that two million Windows Phone 7 devices have been shipped to retailers, but sell-through figures aren't available.

The NPD Group estimated that Windows Phone 7 captured a two percent share of the U.S. smartphone market in its first two months. That share is likely to increase under a deal with Finnish cell-phone giant Nokia to use the operating system on its phones, which are popular in Asia and Europe. The deal was brokered by Nokia's new CEO, former Microsoft executive Stephen Elop.

www.mobile-tech-today.com

Emerging Technology

Tickets, Coupons Among Uses for Tap-to-Pay Phones

February 22, 2011

Cell phones are usually used to communicate with people far away. This year, they'll get the ability to do the opposite: communicate with things that are close enough to touch.

It may not sound immediately useful, but phones will get some surprising capabilities with the addition of chips for so-called near field communications (NFC), a wireless technology with a range intentionally limited to just a few inches.

The phones will be able to talk to payment terminals designed for "smart cards," replacing credit and debit cards. They could be used as mass transit passes. You could tap two phones together to exchange contact information.

Or you could tap a "smart tag" on a poster, product or sticker to get your phone to do something, such as retrieving information from the Internet or placing a call to the product's customer support line. Yankee Group analyst Nick Holland likens these tags to the links that take us from Web page to Web page, only now they're in the real world.

Adding NFC is like adding a whole new capability on the level of GPS navigation or a camera, Holland said.

The industry has been talking about including NFC in phones for years, mainly to turn them into "electronic wallets." Beyond a few trials, nothing much has happened, except in Japan and Hong Kong, where these systems have caught on for mass-transit ticketing.

But at the world's largest cell-phone trade show, held last week in Barcelona, Spain, it was clear that the log-jam has loosened, in part because NFC chips are now cheaper. Millions of NFC-equipped phones will be in consumer hands in the U.S. and Europe before the end of the year.

Jim Balsillie, the co-CEO of BlackBerry maker Research In Motion, said at the show that "many if not most" BlackBerrys will have NFC chips this year. Google's Nexus S already has one, and the company's latest Android software for that and other phones has NFC support. Nokia, the world's largest maker of phones, has committed to putting NFC chips in all its next-generation smartphones.

Based on job postings at Apple, there's speculation the new iPhone model due this summer will have an NFC chip. Apple wouldn't comment.

NFC turns the limitation of short-range communications into an advantage. When an NFC terminal senses an NFC-equipped phone, it knows that's because the user is holding it right up close and wants to interact in some way — for instance, paying for a can of Coke.

That means a lot of the complexity that comes with establishing wireless links — like logging on to a Wi-Fi hot spot or "pairing" Bluetooth devices with each other — can be dispensed with. Tap and something happens, but your phone will probably still ask you if you really want that can of Coke.

The simplicity of NFC also lets it cut through the complications of existing mobile payment systems, which let you send money through an app or text message. These systems have been more popular in Europe.

It's possible to upgrade some current phones with NFC chips. Small memory cards that are accepted by some phones can be given NFC capabilities. Both MasterCard and Visa are experimenting with "jackets" for the iPhone that have NFC chips, for instance.

But not all phones are compatible with these solutions, so the most likely way to get NFC into consumers' hands is with new phones. Research firm Yankee Group estimates that there will be 151 million NFC-enabled phones in 2014, up from 834,000 in 2010.

The wide support from phone manufacturers comes after nearly a decade of much talk but little action. Bill Gajda, head of Visa's push into mobile payments, said the NFC idea has faced "a series of chicken-and-egg problems."

Phone makers didn't want to include the chips in their phones if the wireless carriers didn't want them. Wireless carriers saw no use for the chips if merchants didn't have terminals that accepted them. Merchants didn't want to invest in terminals if there would be no phones to use them.

With phone makers and wireless carriers now supporting the idea, the hope is that stores will take the jump too, Gajda said. McDonald's Corp. restaurants in the U.S. and a few other chains already have contactless payment terminals, installed to accept cards that work on a principle similar to NFC. When New York City taxi cabs were upgraded to accept credit cards starting two years ago, they got contactless terminals too.

The Smart Card Alliance estimates that there are half a million contactless terminals in the U.S., in 150,000 to 200,000 locations. That compares to perhaps 6 million locations in the U.S. with traditional card readers, as estimated by Todd Ablowitz, an electronic-payments consultant.

On the phone company side, France Telecom SA's Orange and Deutsche Telekom AG of Germany are rolling out NFC.

In the U.S., three of the four largest wireless carriers: Verizon Wireless, AT&T Inc. and T-Mobile USA, have formed a joint venture, ISIS, to roll out payment services in limited regions of the country in the next year.

It's not clear that payment services will attract consumers to NFC phones, given that using a phone over a card only saves a few seconds.

Rajeev Chand, head of research at investment bank Rutberg & Co., believes ticketing will be the "entry point" for NFC, as speed matters more when passing turnstiles.

In stores, phones with NFC could be popular if they do more than merely replace a wallet of credit and debit cards. They could help merchants track and reward loyal customers, replacing both loyalty cards and printed coupons.

On the payments side, well, NFC is only going to go so far, in Holland's opinion. It will take time for the terminals to spread, and cash isn't going away anytime soon.

"You're still going to have to carry your wallet for the next 20 years," the analyst said.

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Mergers & Acquisitions

CSR to Acquire Video-Chip Specialist Zoran

February 21, 2011

British wireless-chip maker CSR PLC said Monday it agreed to pay \$679 million for Zoran Corp., a Silicon Valley semiconductor company that specializes in imaging technologies used in digital cameras and TV set-top boxes.

CSR, based in Cambridge, is best known for Bluetooth communications chips but has branched into other fields, including the location-finding technology known as GPS.

The company said the all-stock deal for Zoran—which represents a 40% premium to the U.S. company's \$9.32-a-share closing price Friday on the Nasdaq Stock Market—would boost profit per share by more than 10% in its first year. But CSR's shares fell 9.7% in London trading, with some analysts questioning the logic of combining the two businesses. Zoran shares didn't trade in the U.S. Monday because of the President's Day holiday.

Joep van Beurden, CSR's chief executive, said in an interview that electronic devices "are increasingly becoming more video-centric and more connected." After integrating Zoran, CSR will be able to offer

combined video and communications offerings to equipment manufacturers, he said.

Zoran was co-founded in 1981 by Chief Executive Levy Gerzberg, an engineer who was born in Israel and educated at Stanford University. (Zoran is Hebrew for silicon). The company, which originally focused on digital signal-processing applications for the military, later branched into technology for processing audio and video.

Zoran's technology is now in many printers, digital cameras and other consumer products, including the Flip Video camera sold by a unit of Cisco Systems Inc.

CSR's Mr. Van Beurden said the deal won't immediately increase CSR's exposure to the fast-growing smartphone sector—where it has acknowledged it is under-represented—but could eventually help win business in that market.

"We do not have any market position in the handsets," Mr. Gerzberg said Monday on a conference call with analysts. But with CSR's technology, "you can think of very interesting things that can be done in this market."

online.wsj.com

Industry Reports

Tech Startups Hit the Fast Track, Thanks to Technology

February 25, 2011

Tech start-ups have never started up so fast. Piggybacking on powerful technology that is readily available and inexpensive, a new crop of companies is bursting out of the gates to create products and services within a year of being founded.

"You don't have to hire dozens of engineers," says Robert Williams, CEO of SocialEyes, a social-video start-up that was founded in April 2010 and is close to announcing its first product. "You can use existing infrastructure and outsource other duties."

Nowadays, that means taking advantage of cheaper building blocks from Google's application engine, Amazon.com's Web services and Facebook's authentication technology.

Burbn, maker of Instagram, a photo-sharing application available on the iPhone, has already amassed 2 million users in less than five months.

With a technology foundation in place, courtesy of services from Google and others, development cycles are shortening, giving new companies a competitive edge as they crank out services and rush to market. Start-ups can quickly test the viability of their wares and gain instant feedback, says Ted Schlein, managing partner at venture capital giant Kleiner Perkins Caufield & Byers.

A decade ago, it was pricey to start a company. But in the past few years, with each new breakthrough in Internet and mobile technology, "You can start a company for little money and run it almost anywhere," says Joe Beninato, CEO of Tello, a free customer - service rating application on the iPhone and iPad that launched this month. "It used to take the first \$5 million to set up the infrastructure (with Sun Microsystems servers and Oracle databases)," he says. "Now, you pull out your credit card and spend \$5,000 on Amazon Web services."

Jason Jones, CEO of Lift Audio, a small maker of audio products and headphones, streamlined costs by outsourcing administrative tasks to India and manufacturing to China. Lift Audio has an exclusive distribution deal with Amazon.com.

"We spend more time developing technology, and pass the savings to consumers," Jones says.

The process from "napkin to launch" can be as short as six to nine months. But founders still must recruit the right employees, which can be time-consuming, says Adeo Ressi, CEO of The Founder Institute, which helps people start businesses.

Speed is of the essence in this era of real-time Internet development, in which social media put a premium on fast, efficient customer service -- for tech and non-tech companies. Before, a major new version of a software application would take 12 months to 18 months; now, it is monthly, if not daily, says entrepreneur Brad Feld.

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