

## Communications IT News

By Jesse Cryderman

As third-quarter reports rolled in, earnings among tier 1 CSPs in the U.S. proved a mixed bag, but one fact became clear: shared data plans have provided a big boost to bottom lines. AT&T added 200,000 fewer subs than expected but reported the strongest wireless ARPU growth in six quarters. And though wireless service revenues as a whole crept up less than 5 percent, the company reported a spike in mobile data revenue of more than 18 percent, or a full \$1 billion more than in the third quarter of last year. Meanwhile, Verizon handily beat estimates by adding 1.5 million new subscribers and reported a jump in service revenues and record margins.

On the other hand, Sprint's loss widened to \$767 million in the third quarter, and the beleaguered carrier bled 450,000 postpaid subscribers. Some analysts predicted that the new pricing plans pitched by AT&T and Verizon would drive customers toward unlimited or value options like Sprint and T-Mobile's, but that wasn't the case. Judging by the numbers, the new shared data plans are a cash cow for the big two.

### Verizon expands quad play with MSOs

Last month Informa Telecoms & Media polled more than 500 executives from global service providers, and reported that the respondents identified partnerships as a key driver for growth in 2013. If so, Verizon has positioned itself well: Big Red has actively courted the top MSOs in the U.S. over the past year in order to market and sell bundled services in numerous markets. Last month Verizon announced an expansion of its relationship with Cox Communications and Time Warner Cable; in each instance customers will be able to purchase wired and wireless services from Verizon and the MSO partner from a single point of sale while taking advantage of incentives like prepaid Visa cards ranging in value from \$100 to \$400.

"It is an exciting time as we continue to bring together the strong brand recognition that we have in our markets for video, voice and Internet services along with the national brand identity that Verizon Wireless has for its 4G LTE wireless services," said Dave Bialis, senior vice president/general manager, Cox Communications, California. "Expanding this arrangement to California marks the next step in the process to bolster the value of our bundle of services



and address the evolving needs of our customers."

### U.S. telecom landscape in flux

As Verizon and AT&T pull further and further ahead of their rivals and adopt similar billing plans, the mobile-operator landscape is about to change. T-Mobile and Sprint both announced potential buyouts in October, moves that investors feel are necessary for them to remain competitive in the highly saturated U.S. mobile market. T-Mobile intends to advance its "challenger" status by merging with prepaid superstar (and VoLTE pioneer) MetroPCS. Struggling Sprint has been embraced by Japan-based SoftBank for a \$19 billion acquisition. At the same time, Sprint upped its stake in Clearwire to retain a controlling interest. Clearwire, although unable to make money and quickly running out of cash, has the deepest LTE spectrum reserves in the U.S., making it a valuable prospect.

If we learned anything from the failed AT&T/T-Mobile merger, it is that nothing is certain when it comes to the regulatory response. Quite expectedly, AT&T is the loudest voice of dissent when it comes to the proposed T-Mobile and Sprint buyouts, arguing against the two deals. The battle is really over spectrum, as mobile data is a cash cow, particularly mobile data over LTE, which will only grow with time. AT&T vice president Brad Burns argued that the spectrum holdings SoftBank would command would give it an unfair advantage. "SoftBank's acquisition of Sprint and the control it gains over Clearwire will give one of Japan's largest wireless companies control of significantly more U.S. wireless spectrum than any other company," he said in a statement. "We expect that fact and others will be fully explored in the regulatory review process."

Sprint, for its part, hopes to accelerate its LTE network with the expertise of SoftBank while leveraging Clearwire's deep spectrum holdings. Sprint CEO Dan Hesse said, "Our management team

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is excited to work with SoftBank to learn from their successful deployment of LTE in Japan as we build out our advanced LTE network, improve the customer experience and continue the turnaround of our operations.”

Newly crowned T-Mobile USA CEO John Legere commented on the importance of spectrum as it relates to the T-Mobile/MetroPCS merger. “This deal could not be more ideal in terms of the complementary spectrum that it creates. It really could not be more perfect in terms of what it will do for us with regard to our 4G LTE rollout. We will have significant LTE spectrum capacity in most major cities in the United States. I’m talking about being clearly superior to AT&T and Sprint. We are in the midst of a process and a transformation that is going to take the combined company to an incredible place.”

Legere also believes the two networks will integrate easily and overtake Sprint for third place in the U.S. market within a few years. For a network that doesn’t even have the iPhone, that would be a real coup. Will regulators give the nod of approval? Will SoftBank’s business with Huawei taint the outcome? Stay tuned to the Pipeline news center to learn more as the story develops.

### **Securing communications**

In security there is a simple rule: the more points of entry to control, the more risk. “The fact is that, as you make more ‘doorways’ into the Internet, so the challenges of controlling access will become ever more acute,” says Alex Brisbane, president and COO, KORE Telematics. Consider the proliferation of powerful smartphones alongside M2M on the horizon and it’s easy to understand why security stories cross the wire on a daily basis. The connected future is only as secure as its foundation.

Bring-your-own-device (BYOD) trends continue to create opportunities for software companies and service providers in device security and management. Turkcell is betting on BYOD with a new turnkey BYOD app, and Infonetix predicts a big spike in mobile security spending as a result. In fact security will move further into the foreground as more and more devices are connected, like Hyundai’s new connected car and AT&T’s new embedded mHealth solutions.

Toward the end of October, Verizon released an extensive cybercrime report that examined risk and intrusion industry by industry. Across the board, small-to medium-sized businesses are most at risk, as these companies may not have a dedicated IT security professional or established security procedures. Third-party vendors that service the SMB market haven’t done much better, according to the report.

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### **4G launches**

Fourth-generation mobile networks are rapidly rolling out across the globe, as operators hitch their horse to high-speed mobile technology that’s proven to boost ARPU and improve CEM. Last month the number of deployed LTE networks continued to climb: In Norway, Telenor launched 4G in 11 cities with a Huawei-powered network, catching up with rival NetCom. South Africa got its first 4G LTE network courtesy of Vodacom, and the Telefonica imprint Vivo is going 4G LTE with Ericsson in Brazil. And in the U.S., Verizon’s 4G LTE network buildout is a full two months ahead of schedule. To further study the evolving 4G landscape, check out this thorough, dynamic 4G map, complete with spectrum and vendor-partner information.

### **Is telephony dead?**

VoIP services continue to erode voice revenues for operators, hence the shift by many global CSPs to unlimited voice and text plans. Ovum predicts OTT and VoIP services will cost operators \$479 billion by 2020, but don’t count voice out yet: the death of telephony is “exaggerated,” says Ovum. Service providers should work to create a richer voice service and find ways to further leverage customers’ unique identifier: their telephone number.

Jeremy Green, principal telecoms strategy analyst at Ovum, cautions that “taking such a pessimistic view obscures some important commercial realities and opportunities in the voice telephony market. The major threat posed by OTT VoIP is that it weakens customers’ attachment to their telephone number and transfers their attachment to a new address. This may turn out to be a more significant factor than the direct impact on telephony revenues,” he explains. “Operators should use telephone numbers as the identifier and address for cloud-based services, allow customers to choose numbers that are relevant to them and develop more application-to-person SMS applications.”

### **Moo-2-Moo communications**

We’ve covered many wild and innovative uses for communications technology here at Pipeline, but this one takes the cake: Deutsche Telekom has partnered with MEDRIA Technologies to enable cows to text their owners. That’s right — cows. Using M2M connectivity

and Deutsche Telekom SIM cards, cows can phone home when they need assistance.

According to the announcement, SIM cards are housed in M2M data-collection devices in the cow's stable or field. Special sensors measure the cow's vital data and relay it to the data-collection device. The device then notifies the farmer immediately by sending a text message. As a result, the farmer no longer needs to spend long nights in the stable. The M2M solution ensures that he can intervene promptly when a cow is about to calve and make optimal use of the short period of time when a cow is receptive to a mate.

**Despite multi-billion-dollar losses to VoIP, the death of telephony is exaggerated, says Ovum.**