

January 25, 2006

2 Largest U.S. Wireless Carriers Add Many Subscribers

By [KEN BELSON](#)
and [MATT RICHEL](#)

Cingular Wireless and [Verizon Wireless](#), the nation's two biggest cellphone carriers, said yesterday that they had added record numbers of new subscribers in the fourth quarter, surprising analysts and underscoring the success of their new handsets and more generous service plans.

The two carriers have attracted customers largely by offering more minutes each month and aggressively marketing family plans that include second and third phones at discounted rates.

Verizon Wireless, which is 45 percent owned by the [Vodafone Group](#) of Britain, added 2 million new customers in the quarter, an industry record. For all of 2005, it added 7.5 million new customers, 19.5 percent more than the year before. Verizon Wireless now has 51.3 million customers over all.

Cingular held on to the top spot in the \$100 billion cellphone market, adding 1.85 million new customers and bringing its total to 54.1 million.

Cingular reported net income of \$204 million in the quarter, in contrast to a \$495 million loss in the 2004 period, when it completed a merger with [AT&T](#) Wireless.

Cingular and Verizon have been able to find new customers even though nearly 70 percent of Americans already own mobile phones. They have also introduced handsets that operate on upgraded networks and allow users to swap songs, e-mail and other data at faster speeds.

Still, they have relied primarily on discount deals to win over the remaining 30 percent who do not own cellphones. And those people tend to spend less once they get a phone.

Christopher King, who follows the wireless communications industry for Stifel, Nicolaus & Company, said of this marketing, "They're going after teenagers, children and older people, and they tend to generate less revenue per month and use fewer data applications."

Cingular's chief financial officer, Peter A. Ritcher, said 202,000 of the company's new subscribers bought Go Phones, which use 'pay as you go' plans. Nearly a million other customers were acquired through carriers that resell Cingular services.

Spending by these customers tends to be less reliable than by those who sign up for one- and two-year contracts. Investors worry that in the long run, Cingular could face a problem of subscriber defections to other brands.

Edward Snyder, an industry analyst at Charter Equity Research, said: "It's a good quarter for these guys. The question the Street has is whether you are going to suffer if you get a lot of prepaid subscribers."

Yet in the fourth quarter, Cingular was able to reduce customer turnover to a record low 2.1 percent. It has made progress transferring AT&T Wireless customers to Cingular plans, and it saw "a real bump over the holidays," Mr. Ritcher said.

Since the carriers have been giving customers many more monthly minutes, the amount of revenue they collect from phone calls has declined. They are hoping that their new expanded networks, with faster speeds, will induce subscribers to use more data services.

Theoretically, the push to expand the use of data services is good news for network builders like [Lucent Technologies](#), a big provider of equipment to Verizon Wireless and [Sprint](#). But Lucent said yesterday that it had lost \$104 million, or 2 cents a share, in its fiscal first quarter.

It said sales fell to \$2.05 billion, 12.3 percent less than in the quarter a year earlier. The decline resulted in part from a slowing of network expansion in the United States. Lucent's chief executive, Patricia F. Russo, said sales in the second half would rebound once American wireless carriers began a new round of upgrades.

In trading yesterday, Lucent's stock rose 3 cents, to \$2.53. Shares of Verizon Communications, the parent company of Verizon Wireless, declined 11 cents, to \$30.89. Cingular's owners are AT&T, until recently known as [SBC Communications](#), which has a 60 percent stake, and [BellSouth](#), with 40 percent. AT&T rose 21 cents yesterday, to \$24.66. Shares of BellSouth closed up 11 cents, at \$26.92.