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Sprint's signing on to WiMax wireless; technology investment could reach \$3 billion

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By Jennifer Davies

Sprint Nextel said yesterday that it plans to spend as much as \$3 billion on new wireless technology that would provide super-fast speeds for mobile devices from cell phones to laptops and possibly iPods.

The company said it plans to roll out the so-called WiMax technology in trial markets by the end of 2007 with the goal of building a network that could reach 100 million people by 2008.

Similar to the popular Wi-Fi technology, which allows consumers to connect to the Internet in coffee shops and hotel lobbies, WiMax covers a much larger swath of territory – up to a 30-mile radius. It also promises transmission speeds similar to those of such wired technologies as DSL and cable modems.

While WiMax has been heralded as the next big thing in wireless for several years, the technology has made little commercial headway. Still, Sprint's announcement is significant because the company has partnered with such stalwart WiMax proponents as Intel, Motorola and Samsung to build the new network. Intel will be supplying the equipment to build the network while Motorola and Samsung will develop WiMax-compatible phones and devices.

Sprint's plans could be a blow to Qualcomm and the fortunes of its wireless technology. The San Diego company's technology path relies on its patented code division multiple access, or CDMA.

Sprint officials said they chose WiMax after evaluating several potential technologies, including those developed by Qualcomm, because WiMax offered better speed and cost.

Currently, wireless companies around the world are transitioning to next-generation wireless networks based in part on Qualcomm's patents. Those networks offer transmission speeds that are slower than those promised by WiMax.

In part because of those concerns, Qualcomm spent \$600 million to acquire Flarion Technologies last year because it was working on a technology that offered similar speeds to WiMax.

Any movement toward making WiMax the standard technology of the future could further cut into Qualcomm's business, said Michael King, an industry analyst with the Gartner Group.

“Intel has been very clear that they plan to bake WiMax into every laptop, and that's going to be hard to compete with,” he said.

Qualcomm, for its part, said Sprint's announcement was positive because it would further whet consumers' appetites for wireless broadband services. Sprint also said it remained committed to its current wireless network, which is based on CDMA technology.

Qualcomm spokesman Jeremy James said that through its acquisition of Flarion along with its own patents, the company is well-positioned for the future.

“We believe we have intellectual property relevant to WiMax,” James said.

Any concerns about the impact on Qualcomm, at least in the short run, are unwarranted, said Ed Snyder, who covers the company for Charter Equity Research.

“People are going to characterize that it's a really bad blow to Qualcomm . . . but in a way, it's really none of this stuff is really selling,” he said.

While there has been much hype about next-generation services such as watching TV on cell phones, consumers have yet to spend much on them. Charles Golvin of Forrester Research was more optimistic.

“I think what Sprint is betting on is that consumers are increasingly going to rely on the service they get at home for Internet to be on their mobile devices,” Golvin said.

But investors took a more wary view of Sprint's announcement, driving the stock down 31 cents to close at \$16.63. Its plan to spend some \$3 billion came less than a week after the company reported a 38 percent drop in second-quarter profit.

Sprint CEO Gary Forsee said the company is committed to upgrading the network but needed to make a decision on the next generation to keep its competitive edge. He estimated the company's bandwidth gave it a 12-to 14-month head start on rivals.

He also dismissed concerns that investors have not always rewarded companies that make major investments in new technology, such as Verizon Communications, which has been hammered for building a vast fiber-optic network to deliver video programming.

“If we were to squander our speed-to-market advantage, that would be a terrible decision to make,” he said.

The Associated Press contributed to this report.
