

Verizon Keeps Rolling Along

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10/05/06 - 07:21 AM EDT

The wireless industry continues its winning streak.

U.S. carriers are expected to report this month that they added about 4 million new customers for the third quarter ended last week.

And despite the fact that there are now a total of 223 million U.S. mobile-phone subscribers, the long-anticipated slowdown in wireless growth is still nowhere in sight.

"I think sub growth in the U.S. was good," says Charter Equity Research analyst Ed Snyder, referring to the third-quarter performance.

"There's lots of competition, in a solid economy, with several new cool phones out there," says Snyder. "So there's nothing to hold it back."

Of course, not all the players are seeing the same level of success.

Some outfits will continue to do well and others still struggle, say industry watchers.

Cingular will probably report that it has improved on the customer-loyalty front and show fewer user defections. But fans worry that lower churn will be offset by shrinking margins at the No. 1 cell-service provider, says one investor who has been following the company.

Cingular, co-owned by **AT&T (T)** and **BellSouth (BLS)**, has recently completed a two-year integration of the former AT&T Wireless operation. The network fixes -- along with the costs of upgrades to universal mobile-telecommunications system, or UMTS, technology for so-called 3G services -- have been a heavy burden on the Atlanta telco.

Verizon Wireless, by contrast, has been gliding along with nearly 2 million net new-customer additions in each of the past two quarters. That momentum is expected to continue in the third quarter for the joint venture of **Verizon (VZ)** and **Vodafone (VOD)**, say analysts and investors.

"I'm hearing phenomenally bullish things about Verizon, not just on subs, but also on margins," says one New York money manager.

Meanwhile, **Sprint's (S)** struggles, which stunned investors in August, are showing no signs of easing, say analysts.

For Sprint, I think the third-quarter story "should be rough," says Ovum analyst Roger Entner.

The poor integration of Nextel, with its entirely different network-technology and customer base, showed up in the second quarter when it looked like once-loyal, high-paying customers were moving elsewhere.

Sprint is also trying to cull deadbeats from its subscriber ranks after recent sales pushes attracted too many customers with poor credit.

"The kind of challenges Sprint is dealing with," says Entner, "take about two or three quarters to resolve."

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