

Alcatel Hit by Possible AT&T Loss

Reports that the world's largest telco might take business to rival Ericsson hurt recently merged Alcatel-Lucent's share prices

by [Jennifer Fishbein](#)

Shares in Alcatel-Lucent ([ALU](#)) dropped as much as 2.6% Oct. 5 on news the Franco-American telecommunications company could lose business with AT&T ([T](#)) to Swedish rival Ericsson ([ERIC](#)).

The *Financial Times* reported that Ericsson now could receive more than 50% of a contract to provide AT&T, the world's biggest telecommunications company, with wireless infrastructure after delays by Alcatel-Lucent in delivering equipment. The initial contract, awarded in 2004, stipulated Ericsson would receive \$900 million, or 45% of the \$2 billion contract, with Lucent getting \$700 million and Siemens ([SI](#)) \$400 million to supply third-generation mobile infrastructure for AT&T's U.S. wireless network. The equipment is based on WCDMA technology, the dominant 3G wireless transmission standard.

"Since the merger, Alcatel-Lucent has been fairly inefficient," said Edward Snyder, principal analyst at [Charter Equity Research](#) in Las Vegas, which focuses on the wireless telecommunications industry. "Trying to blend two large companies with very different cultures has caused a lot of confusion on the ground."

Company Dismisses the News

The *Financial Times* also said AT&T had considered dropping Alcatel-Lucent entirely, but decided to retain the company as a supplier for now.

Alcatel-Lucent dismissed the news. "We continue to be a critical WCDMA supplier to AT&T," read its written statement, released Oct. 5. "Our market share has remained relatively stable and we continue to work to meet our commitments to maintain our market share. To speculate otherwise is both inaccurate and misleading."

By late Friday, Alcatel-Lucent shares had recovered to close down 0.83% in Paris, but were off 1.25% in afternoon New York trading. Ericsson shares rose 2.45% in Stockholm and were trading up 3.2% in New York.

Disaster in the Making

Alcatel-Lucent has struggled to defend itself from competitors while trying to integrate its newly acquired Nortel wireless business, prompting analysts to predict the company might have to sell

off its wireless enterprise altogether. It issued a [profit warning Sept. 13](#) (BusinessWeek.com, 9/13/07), its third since the merger last December.

On Sept. 20 the board called an emergency meeting asking Chief Executive [Patricia Russo](#) to produce a plan to [revive the company](#) (BusinessWeek.com, 9/28/07) by the end of this month.

"It's typical of mergers of this size," Snyder said, adding that when companies from both sides of the Atlantic try to mesh, "it's almost inevitable that you're going to wind up with a disaster."

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