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Verizon Said to Be in Talks for the iPhone

By [MATT RICHTEL](#)

SAN FRANCISCO — The [iPhone](#) may be poised to shake up the cellphone industry a second time.

[Apple](#), the maker of the popular smartphone, is conducting high-level discussions with [Verizon](#) Wireless to sell a version of the iPhone that would work on Verizon's network, according to a person briefed on the negotiations. The phone could be available as soon as next year.

The person, who requested anonymity because the deal isn't completed, said discussions between top company executives intensified two weeks ago.

The iPhone presently is available exclusively on [AT&T](#)'s wireless network. That arrangement has lured millions of new customers to AT&T and lifted the company's revenue in a recession.

The iPhone's touch screen, GPS capabilities and 25,000 or so downloadable applications made it an instant hit. It has energized competitors who make look-alikes and given hope to device makers and wireless carriers that fretted over where to find growth in a market in which many adults already own a cellphone.

But while its exclusivity has certainly added to its desirability, it also limited Apple's market for the popular phone. Were Verizon to begin offering the iPhone — whether exclusively or as a competitor to AT&T — it would be a significant development in the increasingly important battle for smartphone users, said Roger Entner, an industry analyst with Nielsen AIG. It would give Verizon, which sells Samsung, [Palm](#) and BlackBerry smartphones, another device to lure subscribers who do not prefer the AT&T network.

"The iPhone turned AT&T into a serious competitor now neck-and-neck with Verizon," he said. If Verizon gets a contract to sell the iPhone, he said, "it will be another major shift."

Jeffrey Nelson, a spokesman for Verizon Wireless, declined to comment on whether Verizon and Apple were talking. An Apple spokeswoman said that the company was "very happy" with its relationship with AT&T.

"AT&T is a very good partner," said the spokeswoman, Natalie Kerris. "We have no plans to change the relationship."

She declined to comment on discussions between Apple and Verizon Wireless.

In a recent quarterly conference call with investors, [Tim Cook](#), Apple's chief operating officer, cast some doubt on the prospect of an imminent deal with Verizon. He said that Apple was wary of building a phone for a network using C.D.M.A. technology — which Verizon's current network uses — because, Mr. Cook

said, the C.D.M.A. infrastructure may have a short life span.

Verizon, however, is moving to a new network in 2010 that would not rely on C.D.M.A technology. Verizon has said previously that even as it deploys its new network, it plans to retain its C.D.M.A. network for a time to transmit voice communications.

The person who had been briefed on discussions between Verizon and Apple said that it was not out of the question that Apple could build an iPhone for the current network.

Apple has not publicly disclosed the financial terms of its deal with AT&T or the duration of its exclusive deal, which began in 2007. Some industry analysts say they believe the arrangement ends in 2010.

Mark Siegel, a spokesman from AT&T, said the company was thrilled with its partnership with Apple. But he had no comment on the company's own discussions with Apple about extending its arrangement. He said he had no comment on the discussions between Verizon and Apple.

AT&T's most recent financial quarter showed the influence of the phone on its business. During that first quarter, AT&T said it activated 1.6 million new iPhones — more than 40 percent of them new to AT&T. During that period, AT&T had 1.2 million overall net subscriber additions, indicating that iPhones made a considerable impact on the company's ability to grow, Mr. Entner said.

“Without the iPhone, their performance in the first quarter would have been worse than T-Mobile's,” Mr. Entner said.

Verizon has done fine without the iPhone. It added 1.3 million customers in the first three months of the year, though many came from its acquisition of [Alltel](#). Revenue rose 30 percent to \$15.1 billion in the first quarter.

Verizon Communications, which owns Verizon Wireless in a joint venture with [Vodafone](#), reported Monday that its net income grew 5 percent in the first quarter to \$3.21 billion, or 58 cents a share, from \$3.05 billion, or 57 cents a share, a year ago. Revenue rose almost 12 percent to \$26.6 billion.

Doing business with Apple does carry a cost. Ed Snyder, an analyst with Charter Equity Research, said that AT&T has spent around \$2 billion to subsidize the cost of the iPhones — selling them to consumers well below what it pays Apple for the phones. AT&T does not get a share of revenue from the iPhone App Store.

Further, Mr. Snyder said, the phones put heavy stress on the AT&T network because iPhone users tend to send and receive data more heavily than users of other phones.

That heavy use has its upside. Mr. Entner said that the typical iPhone user generates for AT&T around \$85 in revenue a month, 40 percent more than users of other phones.

“It's been a net plus,” Mr. Snyder said of AT&T's relationship with Apple. “But it's been more of a mixed blessing than most people view it as.”

