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Sprint Taps Ericsson to Run Its Network

By [JENNA WORTHAM](#)

In its latest move to cut spending and stem continued declines in subscribers to its cellphone services, [Sprint Nextel](#) announced on Thursday that it would transfer operation of its networks to [Ericsson](#), a Swedish telecommunications equipment maker.

[Sprint](#) executives said the seven-year agreement, valued at \$4.5 billion to \$5 billion, would free a substantial chunk of money that the company intended to use to develop new products and improve network coverage and quality.

Steven L. Elfman, president of network operations and wholesale at Sprint, said that while Ericsson would assume day-to-day tasks like maintenance of service and cell towers, Sprint would retain ownership.

“Sprint will remain in full control of the network,” Mr. Elfman said in a conference call with reporters and securities analysts. “We own it. We’re not selling it.”

Under the deal, 6,000 Sprint employees will be transferred to a subsidiary owned by Ericsson that is based in Overland Park, Kan., close to Sprint’s headquarters there.

Sprint, which has been struggling to reverse its fortunes and overcome a reputation for poor customer service, has seen a bit of a rebound lately, particularly with the [Palm](#) Pre smartphone, which recently debuted to rave reviews and is available exclusively on Sprint in the United States.

Edward Snyder, a telecommunications industry analyst at Charter Equity Research, agreed that the outsourcing deal would free cash for the company, which has struggled with falling revenue and operating losses.

“Sprint is doing this out of necessity,” said Mr. Snyder. “The Palm Pre they just released is costing them a pretty penny. It’s a big expense for them.”

Sprint declined to provide details on cost savings, but Philip Cusick, an analyst at Macquarie Securities, said he expected the network outsourcing and reshuffling employees to amount to an annual savings of \$100 million.

Roger Entner, an telecom analyst with Nieslen IAG, said that Ericsson was no stranger to handling operations for other mobile phone companies, from Britain to New Zealand. Currently, Ericsson manages networks that serve more than 275 million subscribers worldwide.

However, “at 50 million users, Sprint is the largest carrier Ericsson has handled,” said Mr. Entner. “It’s a

big deal for Ericsson that they've been trusted.”

Jan Frykhammar, senior vice president and head of Ericsson's Global Services, said the company's extensive experience managing services enabled it to operate the network more cheaply than Sprint.

But Mr. Entner said that Sprint needed to be careful that the handoff did not hurt the quality of its voice and data services. “One of the biggest challenges Sprint has now is to convince the American public that the network will be at least as good as it is now when Ericsson is going to run it,” he said.

Mr. Elfman said the changes should actually improve Sprint's service to customers. “With Ericsson doing the day-to-day stuff, we can focus on the quality of the coverage, attention to new products and services that differentiate us from the competition,” he said in a phone interview.

Investors seemed to respond favorably: Sprint shares rose 17 cents, or almost 4 percent, to \$4.48 by the end of the day. The company's stock price has nearly doubled since January.

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