

Hurricanes not stealing mobile's thunder

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Mobile-phone companies are enjoying something of a renaissance, with industry giant Motorola reporting record earnings in the latest quarter. But while industry analysts are broadly upbeat about the sector's outlook into next year, downside risks remain, not least its vulnerability to natural disasters such as Hurricane Katrina.

Earlier this week Motorola reported that its net profit in the third quarter more than tripled from a year ago due in large part to strong demand for mobile phones worldwide. The world's second-largest cell-phone manufacturer said net profits reached \$1.75 billion, its highest quarterly figure to date, while sales increased by 26 percent to \$9.42 billion as a record-breaking 38.7 million handsets were shipped out globally, compared to shipments of 23.3 million during the same period a year ago. Reflecting the strong sales, Motorola reported that its global market share of the cell-phone market grew to 19 percent, up 5.5 percentage points from a year ago.

The Schaumburg, Ill.-based company's Chief Executive Ed Zander said in a statement announcing the latest financial results that he was "particularly pleased with the record results achieved by our mobile devices business for shipments, sales, and profits."

Moreover, industry analysts expect business for blue-chip mobile-phone producers such as Motorola to remain strong into 2006.

Credit raters Standard & Poor's analyst Joshua Davis reported Wednesday that major companies will be able to "retain sufficiently

strong positions in their respective markets" due to continued demand for handsets, even though he cautioned that manufacturers will have to compete even more fiercely with one another to keep prices low and produce innovative goods.

Yet Motorola and phone manufacturers in general are far from the only companies to be boasting stellar earnings results due to strong demand for cell phones. Mobile-phone carriers too are raking in profits as well as a result of robust sales for handsets that have resulted in new subscribers who often want more value-added and thus expensive services from their providers.

Cingular Wireless, for instance, reported Wednesday that the number of new subscribers to its network increased by 4.4 million in the third quarter alone, adding that profits rose 56 percent from a year ago to \$222 million.

The result was a testimony to the company's cost-cutting efforts as Cingular Wireless is an Atlanta-based joint venture between BellSouth and SBC Communications. As such, Cingular is the biggest provider of phone networks in the hurricane-devastated southern states, and it reported a loss of \$96 million as a result of losing infrastructure and investing in the reconstruction of the region following the destruction caused by hurricanes Katrina and Rita.

The biggest U.S. wireless provider remained upbeat about its prospects, and Cingular Chief Executive Stan Sigman said in a news release that while the company has "not yet realized all the benefits of the merger (between SBC and BellSouth), we are already ahead of where we planned to be on the journey."

For non-cellular telecommunications companies, however, increased competition in the industry on the one hand while there is seen to be less

and less scope for providers to be innovative has hurt their bottom lines. The second-largest U.S. telecommunications group, SBC Communications, reported Thursday that its earnings fell 68 percent from a year ago to \$1.25 billion.

SBC is preparing to acquire rival AT&T next year, pending U.S. government approval, and costs to press ahead with the deal, coupled with losses incurred by the hurricanes, have adversely affected its earnings results, even though the company signed up a record number of new subscribers to its high-speed Internet service. The company added 528,000 new lines in the latest quarter, bringing the total number of broadband subscribers to 6.5 million.

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