

Verizon promises smooth iPhone launch

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In this photo taken Friday, Jan. 21, 2011, a sales representative shows a BlackBerry with the Verizon logo in Hialeah, Fla. Verizon said Tuesday, Jan. 25, it attracted more than half a million smart-phone subscribers in the last quarter, showing strength even before it starts selling the iPhone in February.(AP Photo/Alan Diaz)

(AP) -- Verizon Communications Inc. vowed Tuesday not to mess up its iPhone launch next month.

It's a bold boast, considering how problematic the [iPhone](#) has been for its exclusive U.S. carrier so far, AT&T Inc. The iPhone 3G launch in 2008 was accompanied by a server meltdown, which left people unable to use their phones for as long as a day. The phone later overloaded AT&T's

network in many areas.

Verizon believes it has learned from AT&T's mistakes since its first iPhone in 2007. Through last year, Verizon added capacity to its network with the iPhone in mind.

"We're not going to have any flaws on the execution of the iPhone launch," Chief Financial Officer Fran Shammo told Wall Street analysts on Tuesday.

Verizon announced two weeks ago that it would start selling Apple Inc.'s iPhone on Feb. 10. AT&T's exclusive hold on the phone has left Verizon behind in attracting smart-phone subscribers, but it now hopes to catch up.

However, the company doesn't have a good idea of how many iPhones it might sell. Refusing to give a projection, Shammo would only acknowledge that the average analyst forecast is for 11 million units this year, roughly the same amount AT&T sold in the first nine months of last year. Analyst projections vary from 5 million to 13 million.

Verizon Chief Operating Officer Lowell McAdam confirmed on the sidelines of the meeting that the company's standard \$30-per-month unlimited data plan will be available for the iPhone. AT&T abolished its unlimited data plan for new customers last summer, ahead of the launch of the iPhone 4 in June.

"That's a competitive advantage for us right now," McAdam said.

However, the offer won't last: McAdam reiterated that the company is going to switch to plans with a monthly data allotment soon.

A \$15-per-month limited data plan the company tried out over the

holidays for other smart phones won't be available for the iPhone. That plan is being phased out at the end of the month, executives said.

Verizon is also tightening some of its policies ahead of the launch. It's abolishing its "New Every Two" program, which has given existing customers additional discounts of up to \$100 on new phones. Current customers will get the discount one last time. Verizon is also reducing its return period for phones to 14 days, from 30.

Analysts had been assuming that Verizon would take a hit to its earnings this year because it will subsidize each new iPhone by about \$400 to bring the purchase price down to \$200 to \$300. On Tuesday, the company indicated that the drag on earnings would be smaller than expected, if iPhone sales come in around 11 million. It projected earnings of \$2.18 to \$2.25 per share for 2011, excluding unusual items. Analysts polled by FactSet on average expected earnings of \$2.19.

Verizon shares rose 65 cents, or 1.8 percent, to \$35.89 in midday trading Tuesday. The shares hit a multi-year high of \$37.70 in early January as investors grew excited about the prospect of a Verizon iPhone.

Verizon also reported fourth-quarter results Tuesday, revealing that its wireless arm did well even without help from the iPhone.

Verizon Wireless [added 872,000 subscribers](#) on contract-based plans, well above analyst expectations of about 650,000. Contract-based subscribers are the most lucrative, and Verizon said three-quarters of the new subscribers bought smart phones, which come with added data fees.

Verizon was also helped by another Apple device. It started selling the iPad tablet computer in October, and bundled it with an Internet access device that comes with a two-year contract. It also started selling a competing tablet, Samsung Electronics Co.'s Galaxy Tab, with a data

plan. Together, Verizon sold 86,000 tablets.

The company also got a boost from the launch of its super-fast "4G" cellular data network in December. It sold 65,000 plug-in modems for laptops for that network in three weeks.

The New York-based telecommunications company reported net income of \$2.64 billion, or 93 cents per share, for the last three months of 2010. That's up from \$617 million, or 22 cents per share, a year ago, but the increase was mainly because of adjustments for the value of the company's retirement plans.

Excluding special items, earnings were 54 cents per share, a penny shy of analysts' estimates.

Revenue fell 2.6 percent to \$26.4 billion from \$27.1 billion and was roughly in line with analyst estimates of \$26.5 billion. Verizon sold off landlines in outlying areas last summer, reducing revenue compared with a year earlier.

Verizon announced last week that it was changing how it accounts for the value of plans that cover pensions and retiree health care. The company will recognize losses and gains in its plans in the same year they occur rather than amortizing them over time, as is standard practice. Verizon had accumulated \$20.2 billion in losses that were going to weigh on future earnings, but the maneuver allowed it to move those losses into the past.

In making the change, Verizon was following in the footsteps of AT&T, which moved \$17 billion from future losses to the past. Analysts believe other companies with substantial retiree benefit plans may make similar changes.

Although Verizon Wireless is doing well, that doesn't help the parent company, [Verizon Communications](#), as much as it would like. Vodafone Group PLC owns 45 percent of Verizon Wireless and claims that proportion of its earnings. Meanwhile, Verizon's local-phone business operates essentially at break-even, despite massive investment in upgrading its lines with optical fiber for FiOS Internet and TV service.

For the full year, Verizon said net income fell 48 percent to \$2.5 billion, or 90 cents per share, from \$4.9 billion, or \$1.72 per share, in 2009. Revenue fell 1.2 percent to \$107 billion, though it rose 3.9 percent excluding the summer's sale of landlines to Frontier.

AT&T, Verizon's chief rival in the wireless business, reports fourth-quarter results on Thursday.

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