

iPhone sucks subscribers away from T-Mobile USA

February 23 2012, By PETER SVENSSON , AP Technology Writer

(AP) -- Customers have been leaving T-Mobile USA, the country's No. 4 cellphone company, for the last two years. Now that all three of the bigger carriers have the iPhone, that stream has turned into a flood.

The company on Thursday said it lost a net 526,000 subscribers in the fourth quarter. Worse, it lost a net 802,000 subscribers on contract-based plans, which are the most lucrative. That's an unheard-of figure for an industry that was characterized by rapid growth for more than a decade.

T-Mobile, a Bellevue, Wash.-based subsidiary of Germany's Deutsche Telekom AG, is now losing subscribers from contract-based plans faster than regular phone companies are losing landline customers.

[Sprint Nextel](#) Corp., the No. 3 carrier, started selling the iPhone in October, joining Verizon Wireless and AT&T Inc. in the "iPhone Club." That coincided with the launch of the iPhone 4S, which propelled U.S. iPhone activations to a record 13.7 million over three months.

The iPhone helped Sprint post a rare increase in contract-based subscribers. Verizon and AT&T, the top two carriers, posted healthy increases as well.

It's now clear that many of those new [subscribers](#) were coming from T-Mobile USA.

As the smallest of the four national carriers, T-Mobile was struggling

even before all of its competitors had the [iPhone](#). Its parent company has said it's not interested in investing in it. Last year, [Deutsche Telekom](#) appeared to have found an exit strategy, in the shape of a sale to AT&T for \$39 billion. But that deal was blocked by U.S. regulators, who said it would reduce competition.

T-Mobile's CEO, Philipp Humm, on Thursday promised that the company will get back into the game through network upgrades. With the collapse of the deal, AT&T was forced to pay a break-up fee of \$3 billion in cash and some spectrum licenses, so T-Mobile now has some room to maneuver.

Neville Ray, the company's chief technology officer, said T-Mobile will start building a network using the new "LTE" wireless standard, which gives higher data speeds, and will have it operational next year. This upgrade is possible because of the spectrum from AT&T.

AT&T and [Verizon Wireless](#) already have LTE networks running, and Sprint has said it plans to go through with the upgrade as well.

T-Mobile is investing \$4 billion in the network upgrade, \$1.4 billion more than it had planned earlier.

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