

Verizon adds few contract customers in 1Q

April 22 2010, By PETER SVENSSON , AP Technology Writer



In this Oct. 26, 2009 file photo, a Verizon Wireless store is seen in Glendale, Calif. Verizon said Thursday, April 22, 2010, its earnings fell by 75 percent in the first three months of the year, brought down in large part by the one-time tax effect of the health care reform bill.(AP Photo/Damian Dovarganes. file)

(AP) -- Verizon Communications Inc., the largest wireless carrier in the country, is finding there's an end to the number of people who'll sign two-year contracts for cell phone service.

Verizon said Thursday that it signed up a net of just 423,000 customers under contract in the first three months of the year. That was the lowest number in years, and below analyst expectations.

Its chief competitor, AT&T Inc., also reported a relatively low number of contract customers for the first quarter when it reported first-quarter

results the day before. But AT&T did somewhat better, signing up 512,000 with help from the iPhone.

The results demonstrate that the engine that has kept the wireless industry booming for more than a decade is now running out of steam, as nearly everyone has a cell phone.

To keep revenue growing, the carriers are now looking at other avenues. One is prepaid service, which is usually cheaper than contract plans and available to consumers without credit. Verizon lost 139,000 prepaid customers under its own brand in the quarter, but added 1.3 million through resellers.

In total, Verizon added 1.55 million wireless customers in the quarter, comparable to the 1.3 million it added in the same quarter last year. But since far fewer signed contracts, they're worth much less to Verizon. It ended the quarter with 92.8 million subscribers.

Wireless service revenues still grew 5.9 percent from a year ago, to \$13.8 billion, helped by the fact that more people are signing up for data plans. But AT&T managed to grow revenues by 10 percent, again with help from the iPhone, which comes with hefty service fees.

Overall, Verizon said its earnings fell by three-quarters in the first three months of the year, brought down in large part by the one-time tax effect of the health care reform bill.

The New York company earned \$409 million, or 14 cents per share, in the quarter, down from \$1.645 billion, or 58 cents per share, a year ago.

The results included a previously announced a charge of 34 cents per share, to reflect a change in the health care reform package regarding the tax treatment of benefits.

Excluding that and other one-time items, Verizon said it earned 56 cents per share, matching the average analyst estimate as polled by Thomson Reuters.

Revenue rose 1.2 percent to \$26.9 billion, matching analyst expectations.

In pre-opening trading, Verizon shares fell 51 cents, or 1.7 percent, to \$29.05.

Eds: CORRECTS earnings excluding items and revenue change. Will be led after 8:30 am EDT conference call.

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