

LightSquared wireless broadband network set to launch next year

20 July 2010, By PETER SVENSSON , AP Technology Writer

(AP) -- U.S. consumers and businesses may get more options in wireless service starting next year, with the launch of a new wireless broadband network that aims to provide competition to the incumbent phone companies.

Private-equity firm Harbinger Capital Partners on Tuesday revealed details of the launch of its wireless network, LightSquared, which should cover 92 percent of the population by 2015.

But there are financial and regulatory hurdles to overcome. And in another wrinkle, LightSquared won't initially be offering conventional cell phone service, just data. It's possible to send phone calls over data connections, but that technology is not fully mature or standardized.

Still, LightSquared represents a rare new entrant in the wireless market. Only two other companies, Verizon Wireless and AT&T Inc., have firm plans to build nationwide networks using the same, fourth-generation network technology that LightSquared will use. Sprint Nextel Corp., through its Clearwire Corp. subsidiary, is building a third one with a different 4G technology that's likely to get less support from equipment makers.

Consumers won't buy service directly from LightSquared. Instead, it will sell access wholesale to other companies that can resell it to consumers. LightSquared hopes to attract cable TV providers, phone companies that don't have wireless networks of their own and retailers that want to provide wireless service under their own brand.

Dan Hays, who focuses on telecommunications with consulting firm PRTM, said LightSquared "could provide a renewed opportunity for retailers and major brands such as Wal-Mart, Best Buy, and Office Depot to enter the wireless market as service providers to consumers."

LightSquared plans to start providing service in the

second half of 2011 in Las Vegas, Phoenix, Denver and Baltimore.

LightSquared said Nokia Siemens Networks will build, maintain and operate the network under a \$7 billion, eight-year contract. Nokia Siemens is a joint venture of Finland's Nokia Corp. and Siemens AG of Germany.

The contract is an important step for Nokia Siemens, which hasn't had much of a presence in the U.S. market for wireless equipment. On Monday, it announced a deal to buy Motorola Inc.'s networks business for \$1.2 billion, with a view to increasing its foothold in the U.S.

One reason it's rare for new national wireless carriers to spring up is that it's difficult and expensive to procure the rights to airwaves across the nation. Verizon Wireless paid \$9.4 billion for nationwide spectrum rights in a 2008 auction, for example.

LightSquared is in an unusual position in that it owns nationwide wireless spectrum once set aside for satellite phone use. Harbinger bought SkyTerra, a satellite company, earlier this year.

Placing calls over satellites is expensive and impractical compared with using cell towers, so the FCC allows spectrum holders to back up satellite coverage with towers. That gives LightSquared a "back door" to building out a conventional ground-based network of cell towers.

However, under current FCC rules, all devices that use LightSquared's spectrum have to come with the ability to connect to a satellite besides conventional cell towers, according to satellite industry consultant Tim Farrar. That would add to the cost of devices and limit the selection.

LightSquared is banking on the FCC changing its rules to allow devices that only talk to towers.

Regardless, it needs to launch a satellite later this year to satisfy the FCC's condition that it be able to provide satellite connectivity.

The launch of the new network would fit into the FCC's goals of creating more competition in the wireless market. FCC Chairman Julius Genachowski said Tuesday that he was pleased to learn of the creation of LightSquared.

Farrar said it's also not clear if Harbinger will be able to raise the billions needed to build out the network, and other expenses.

"It's going to be very interesting to see where this money comes from," Farrar said.

Tom Surface, a spokesman for LightSquared, said the company "will evaluate our funding needs as we develop and grow our business."

LightSquared's CEO is Sanjiv Ahuja, who was CEO of French cell phone company Orange from 2004 through 2007. He then founded a company that started wireless service in Pakistan and Bangladesh.

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