More T-Mobile USA subscribers flee

February 25 2011, By PETER SVENSSON , AP Technology Writer

(AP) -- Subscribers on contract-based cell phone plans hung up on T-Mobile USA in record numbers in the fourth quarter, as it continues to lose the battle against larger carriers.

T-Mobile, the fourth-largest wireless carrier in the U.S., on Friday said it lost 318,000 subscribers on contract-based plans in the October to December period.

The three larger carriers - AT&T Inc., Verizon Wireless and Sprint Nextel Corp. - added subscribers under contract in the period. For Sprint, it was a reversal of many years of losses.

T-Mobile said the decline was due to competition and to revised credit standards for customers.

T-Mobile compensated by selling wholesale access to its network to resellers, which meant that overall, it lost only 23,000 subscribers in the quarter. But wholesale subscribers bring far less revenue.

T-Mobile USA's new CEO, Philipp Humm, has orders from German parent company Deutsche Telekom AG to stem the loss of subscribers and increase revenue by 2014.

The percentage of contract-based subscribers leaving T-Mobile every month, a measure known as "churn," was 2.5 percent in the quarter, about the same as a year ago but higher than in previous quarters of 2010.

A month ago, Deutsche Telekom CEO Rene Obermann said that even a churn rate of 2.3 percent is "just not acceptable," and the goal is to reduce it to 1.8 percent by next year. That would bring T-Mobile more in line with competitors - Verizon Wireless' churn rate is 1 percent.

Including prepaid subscribers, churn was 3.6 percent at T-Mobile, the highest figure in at least seven years. It ended the quarter with 33.73 million subscribers.

T-Mobile's fourth-quarter revenue declined 1 percent from a year ago to $5.36 billion. The quarter's net income fell 12 percent to $268 million versus a year ago and was the lowest quarterly profit in four years.

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