



>: The Wireless Wave

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What if I told you that you could make a phone call over the Internet and pay *a fraction* of the price of a regular phone call, regardless of where in the United States you were calling?

Well, in this day and age you'd probably say something along the lines of, "So what, I already have a Vonage (or insert other VOIP provider here) account!?"

OK, fine, maybe Internet phone calls have been around for half a decade already. And maybe they aren't as big a deal as most folks thought. But wait, what if I told you this?

What if I told you that you could make phone calls, over the internet, directly from your mobile phone?

Or what if I told you that you could turn on your cell phone and it would immediately allow your laptop to connect to the internet? no matter where you were?

Now that's gotta get you just a little bit excited!

I mean, think about it? instead of running up your coveted mobile phone minutes, you could just connect to the Internet and immediately have a conversation with your friend on the other side of the country without worrying about what time of day it was (personally, my free minutes kick in after 9:00 PM which is when I make most of my personal calls.)

Wouldn't that be great?

Yeah, I think it would be pretty sweet, too. That's why I'm so excited about what's going on with the mobile phone industry in the US right now.

We're currently seeing a wave of investment going into upgrading the existing wireless infrastructure here in the US. This is being done to accommodate a new generation of wireless services and devices known as 3G? or 3rd Generation Wireless.

Some 3G applications are already showing up in certain phones and provider plans? namely the VCast service from Verizon Wireless, a joint venture between Verizon (NYSE: VZN) and Vodafone Group (NYSE: VOD), and Cingular's EDGE service, which is a joint venture between AT&T (NYSE: T) and BellSouth (NYSE: BLS).

With the age of digital convergence upon us? where we get our TV, Internet, Phone and now mobile phone access all through a single provider? more and more companies are finding themselves vulnerable to attack by larger competitors in industries that *used to be* completely separate. Now these companies have become vicious competitors as they all attack the same customers.

That's why it's imperative for these mobile phone operators to begin offering their customers more than just the ability to make a phone call from anywhere? they need to be able to do it cheaper and better than anybody else? and believe me when I say that there are plenty of other options out there.

With the proliferation of services like Skype? which was acquired by eBay (Nasdaq: EBAY)? all a person really needs is access to an Internet connection and they can start making calls anywhere in the world.

The key phrase I just used there was "internet connection"? that's what this all really boils down to.

The company that controls the connectivity will control the customers.

Right now most wireless internet connections are provided through Wi-Fi networks. These are the networks that you typically connect to when you're in a local coffee shop or an airport. The range is limited and other cordless devices (e.g. cordless phones) will tend to interfere with reception.

However, two weeks ago many of the wireless and cable companies participated in a Government auction for large swatches of the wireless spectrum here in the States. These swatches of the spectrum will be used to roll out what's known as WiMax networks.

Basically, these companies purchased the rights to the wireless highways that will connect mobile devices (cell phones, laptops, etc.) to the Internet? it's like purchasing bridges and then setting up toll booths on them.

WiMax networks are like Wi-Fi networks except they have a much longer range, and they run off of towers much like existing cell phone networks. The WiMax networks also operate through protected radio spectrum frequencies so the connection won't be interfered with by other cordless devices.

Now, companies that never had any wireless broadband plans, such as T-Mobile, will begin offering their own mobile internet access plans.

These plans will work for both mobile phones that connect to the net and for laptops.

There are a ton of applications, and the competition is continuing to heat up as billions of dollars get poured into this industry!

Cingular committed over \$1.3 billion to add to its wireless spectrum. Verizon - \$2.8 billion with a similar amount invested by Sprint Nextel. T-Mobile led the bidding with over \$4.2 billion committed.

How to Profit

With multi-billion dollar infrastructure investments taking place, you can bet your bottom dollar there will be more to come with maintenance, marketing, customer service and value added services for these next generation networks.

Device manufacturers such as Motorola (NYSE: MOT) and Nokia (NYSE: NOK) also stand to benefit as sales of higher margin, 3G-enabled phones will increase.

Mobile software providers such as Microsoft (Nasdaq: MSFT) are also in a great position considering the dominance the company has in the Operating System market.

Now think about *all* the parts that will go into these phones? Microprocessor companies like Intel (Nasdaq: INTC) and integrated circuit companies like OmniVision (Nasdaq: OVTI) will also see an increase in sales along these product lines.

The wireless industry is a pretty big pond, and throwing 3G into it will cause a HUGE ripple effect.

There will definitely be some exciting profit opportunities for the watchful investor in the very near future.