

News & Views



IN BRIEF

□ **Bellsouth** has extended its Ethernet coverage for access to business IP services, linking DSL, private line, Frame Relay, ATM and metro Ethernet connections onto a single corporate network. The company integrated metro Ethernet as an access option on a limited basis in 2004 and has now expanded this capability throughout the south-east US.

□ Australian incumbent **Telstra** has acquired a 51% shareholding in **Soufun**, a Chinese real estate and home furnishing web site, for a total cash consideration of US\$254 million. Soufun provides information, advertising and listing services to China's growing online real estate and home furnishing sectors. Its primary revenue is generated by display advertising.

□ UK Ethernet network provider **Exponential-e** and Irish Ethernet provider **Smart Telecom** have formed a relationship which will see each provider deliver reciprocal connectivity, support and maintenance in their respective countries. Exponential-e's managed service goes nationwide in Ireland and Smart Telecom's customers gain access to 73 UK cities. ■

RCN quits US west coast



Peter Aquino,
president and CEO, RCN

Metro provider RCN is moving out of San Francisco to focus on its core business in the US east coast.

US cable, internet and telephone service provider, Astound Broadband has agreed to buy RCN's assets in San Francisco for \$45 million in cash, or approximately \$2,500 per customer.

Peter Aquino, president and CEO at RCN, said: "By divesting RCN's assets in San Francisco, its primary property on the west coast, RCN can now focus its financial and operational resources fully on its core north-east corridor and Chicago region. RCN articulated this as a main objective early on, and continue to executes toward its operational and strategic initiatives."

Astound Broadband currently serves approximately 55,000 video, data and phone customers in Concord and Walnut Creek, California. The addition of RCN's assets in San Francisco will add approximately 18,000 customers to Astound's business.

Steve Weed, CEO at Astound Broadband, said in a statement: "The acquisition of RCN's multi-play San Francisco customers and facilities is a strategic win for Astound Broadband. These assets strengthen Astound's local presence and fulfil its mission to provide 100% of its cable systems with the latest technology."

RCN added approximately 2,000 customers in the second quarter of 2006, compared to a loss of 9,000 customers in the second quarter of 2005. Customer installs increased 20% from last year.

RCN paid \$32 million for Con Edison Communications, acquiring its extensive New York footprint, in January this year. ■

A PROMISING FUTURE

David Ballarini analyses some of the investments and issues around the emerging Wimax market in the US

Analyst's Eye



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Clearwire has announced a dramatic change in fundraising plans to support its ambitions to be a leading player in Wimax. In May, it filed for a \$400 million IPO, but has now changed course in favour of a \$900 million equity investment from Intel Capital and Motorola Ventures.

This investment provides the company with ample capital to establish Clearwire as a leading Wimax operator. The future for Wimax is promising. Clearwire likely recognised that it was premature to tap public markets for Wimax.

In addition to this financing, Motorola will be purchasing Clearwire's Wimax equipment subsidiary, Nextnet Wireless, later this year (financial details have not been provided). Considering Intel's previous investment in Clearwire, and that the three companies plan to collaborate on R&D, this trio now has the pieces in place for a powerful consortium to drive Wimax adoption in the US.

Undoubtedly, these three companies have a shared vision for Wimax, and they see that favorable market conditions are starting to line up. Most importantly, the mobile Wimax standard, 802.16e is set to emerge as the de facto architecture around which future Wimax networks will be built. The current standard, 802.16d only supports fixed applications.

Mobile Wimax – the 802.16e standard – supports fixed and mobile applications, making it versatile compared with 802.16d. The ability to roam opens up the market for considerably, and puts it in direct competition with cellular technologies including 3G, CDMA and EVDO.

Wireless spectrum is the next important driver. The 2.5GHz band will be the spectrum of choice for 802.16e in the US. Clearwire and Sprint Nextel hold most of the licences, with Clearwire being focused on rural, and Sprint Nextel focused on urban markets. As with any emerging market, there is a lot at stake up and down the food chain once the first domino is set to fall. With Sprint Nextel embracing mobile Wimax, the investment in Clearwire gains validation, Intel has a ready market for its Rosedale 2 chip, and Motorola gains a large-scale deployment for its equipment. Vendors such as Nortel and Lucent-Alcatel have also invested heavily in mobile Wimax. And the market would also open up for a host of specialised Wimax equipment vendors such as Alvarion, Aperto Networks, Adaptix, and Airspan Networks. Aside from the US, there are even greater mobile Wimax opportunities abroad, where existing infrastructures are much more limited. ■