

Big Tech Firms to Invest in Wireless

Sprint, Comcast, Google, Time Warner and Intel Join Forces in New Broadband Joint Venture

By AMOL SHARMA and VISHESH KUMAR, May 7, 2008

The race to bring consumers ultrafast wireless Internet service is on.

As early as Wednesday, an unlikely alliance of titans from the cable, Internet and chip industries will disclose they are investing \$3.2 billion in a company that will deliver Web access for cellphones and laptops at speeds much faster than what is available today using a technology called WiMax.

Analysts say the venture, valued at more than \$12 billion, will have a two year head-start on rivals [Verizon Wireless](#) and [AT&T Inc.](#), which are just beginning to sketch out plans for their next-generation wireless networks. The venture includes wireless provider [Sprint Nextel Corp.](#) and [Clearwire Corp.](#), a start-up backed by cellphone pioneer Craig McCaw. Other big-name backers include cable-TV giants [Comcast Corp.](#) and [Time Warner Cable Inc.](#), Internet giant [Google Inc.](#) and chip maker [Intel Corp.](#)

The deal gives the cable operators and Google prominent roles in shaping the future of mobile Internet access and a new outlet as growth begins to slow in their traditional content businesses. Intel gains new support for WiMax, a technology standard the company has championed and that will be used in the venture's high-speed network. The venture must still be approved by federal regulators.

The deal is most of all a coup for Sprint CEO Dan Hesse, who four months ago was charged with rescuing Sprint from near-disaster. This alliance resolves one of the major issues that confronted him and now allows him to put full attention on problems in Sprint's core cellphone business, which has been hemorrhaging Nextel customers for a year and a half. Mr. Hesse next must consider a spinoff or sale of Nextel, acquired just three years ago.

A mild-mannered 54-year-old, Mr. Hesse served as CEO of AT&T Wireless in the late 1990s and more recently as chief executive of regional phone company Embarq Corp. before joining Sprint in December. It was a job that other industry veterans saw as a dead end. Its former CEO, Gary Forsee, had been forced out as Sprint's market share collapsed. Despite his own reservations, Mr. Hesse saw the job as an opportunity to turn around a high-profile public company with a rich history dating to its roots as the Brown Telephone Co. at the turn of the 20th century.



Craig McCaw

Often invoking the words of George Carlin and Yogi Berra to lighten tense meetings, Mr. Hesse has been cheerleader in chief in Sprint's time of distress. He appeared in a recent TV commercial to help sell a new monthly service plan that offers unlimited data services. Mr. Hesse is relentlessly optimistic -- he recently finished a book on Nobel Prize laureates called "The Impossible Takes Longer." And he can be blunt about Sprint's challenges. Asked at an employee meeting in the company's Overland Park, Kan., auditorium why he hadn't yet done a management reorganization to clarify executive responsibilities, Mr. Hesse responded that he had higher priorities, like the company's grave customer-service problems:

"It's sort of like, 'Dan, you haven't vacuumed the bedroom,'" Mr. Hesse said. "Well, that's because the house is on fire. I will get around to it later."



Brian L. Roberts

Mr. Hesse was under pressure to find partners to help defray costs of the company's \$5 billion bet on WiMax. He early on identified Clearwire as a potential ally and sought to involve the cable operators and Google. But the cable companies were skeptical, because a prior cellphone partnership with Sprint, called Pivot, was a failure and essentially dissolved last year.

Last January, Mr. Hesse called Comcast Chief Executive Brian L. Roberts to explore a deal. Mr. Roberts was receptive, partly because he thought the new Sprint CEO might be easier to work with, and partly because he was beginning to see WiMax as an opportunity to confront his own strategic dilemma. Phone companies such as Verizon and AT&T are encroaching on cable companies' turf by offering video, data and voice services. Their ability to bundle these services with wireless phone service is seen as a key advantage, and cable companies had struggled to respond with their own wireless strategy.

In early February, Mr. Roberts took a trip out to Portland, Ore., to test Clearwire's nascent WiMax service there and meet with Mr. McCaw. He came away impressed with the technology, say people familiar with the meeting.

Mr. Hesse leaned on Mr. Roberts to round up other cable operators, including Time Warner Cable and a regional provider, Bright House. In late February, the two executives orchestrated a meeting of all the principals at the Time Warner building in Manhattan. The cable executives raised several concerns, people familiar with the meeting say. The most pressing issue: They wanted to make sure the new company would be able to use Sprint's existing "third generation" broadband network until the WiMax network is nationwide, which could take a few years. That would require complex pricing negotiations, but Mr. Hesse and the cable consortium agreed to move forward.

Reeling in Google proved especially difficult. The Internet company wanted an easier way to distribute its software on mobile devices, but wasn't convinced the WiMax partnership was the right move. Google CEO Eric Schmidt wouldn't return Mr. Hesse's phone calls. Mr. Roberts, who had developed a close relationship with the Google CEO, stepped in. He made a pitch on Mr. Hesse's behalf, then connected the two via email to get a discussion going, according to people familiar with the matter. Mr. Hesse promised to make Google the preferred software developer on the WiMax network, meaning its search service would be the default on new mobile devices.



Associated Press

The deal lets Sprint CEO Dan Hesse focus on problems in Sprint's core cellphone business.

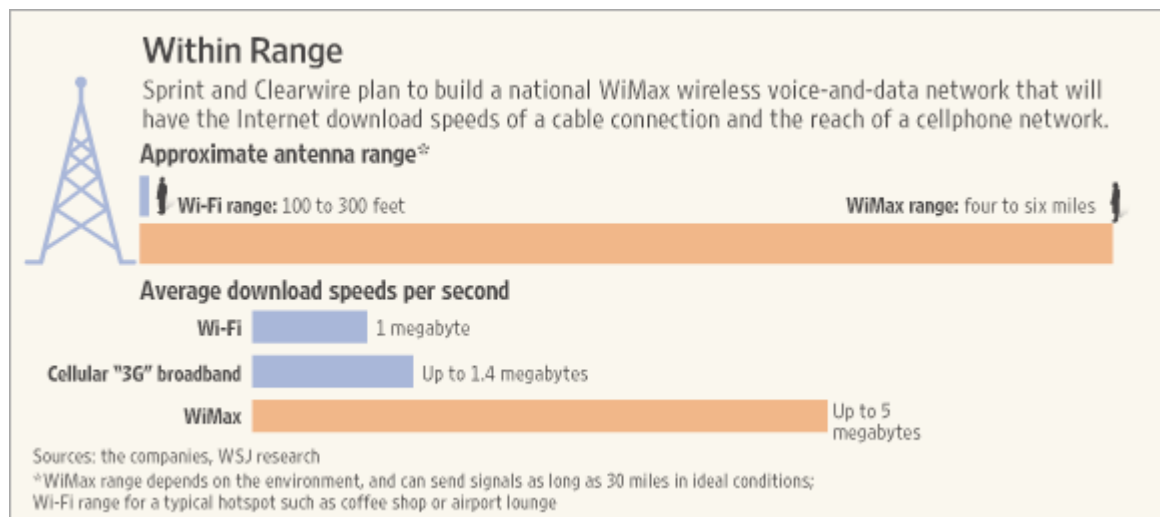
All the while, negotiators from the various companies -- flanked by a throng of a lawyers, bankers and advisers -- were locking horns over issues ranging from the new company's tax structure to what kinds of veto rights the minority investors should have. At times, the sessions got heated. At one meeting in the New York offices of law firm Kirkland & Ellis, Clearwire Chief Executive Ben Wolff was so frustrated with the lack of progress that he pulled his team from the room, shouting "That's it, the deal's off," according to a person at the meeting.

By mid-March, the outlines of a deal were in place, though it would take two more months to iron out details. The new company secured \$1.05 billion from Comcast, \$1 billion from Intel, \$500 million from Google, \$550 million from Time Warner and \$100 million from Bright House. Sprint will hold a majority stake in the new venture. But to appease concerns that Sprint might try to quash the new company's ability to compete

with Sprint, Mr. Hesse agreed to give up day-to-day control to Clearwire's Mr. Wolff, who is slated to be CEO. Mr. McCaw is expected to be named chairman. The new company will take on Clearwire's name.

There are still big hurdles ahead. WiMax is a new technology that hasn't been tested on the scale proposed. Diverging corporate interests pose another set of challenges. Few big technology collaborations deliver on their founders' goals.

But neither Mr. Hesse nor Mr. McCaw is allowing any doubts. During an April phone meeting the two marveled at their accomplishment, particularly their agreement to pool their vast radio-spectrum resources. "Has any company ever had a spectrum position like this? It's absolutely perfect for this technology," raved Mr. Hesse, according to a person familiar with the call.



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