

AT&T may find Apple iPad strains network more than expected

Olga Kharif and Amy Thomson

AT&T executives, betting that iPad users will mostly connect via Wi-Fi, may be underestimating the likely impact on their 3G network, analysts say.

Publishing professional Peter Costanzo is out to redefine telecommuting. The 45-year-old online marketing director for Perseus Books Publishing in New York has ordered a 3G-capable version of Apple's (AAPL) iPad tablet computer. He plans to use it during his 75-minute morning commute from Long Island to read the paper, buy e-books, make notes, retrieve e-mail, and, he hopes, glimpse the future of publishing. "As publishers, it's really important to see how the device performs," he says.

Consumers like Costanzo could give AT&T (T) a headache in coming months. AT&T's 3G cellular network is already swamped with data traffic from millions of Apple iPhone users, especially in New York and San Francisco. Users have complained of dropped calls and slow Web access.

Some tech industry analysts fear the iPad could exacerbate the problem. AT&T Chief Executive Randall Stephenson said at a Mar. 2 investor conference in San Francisco that he expects the iPad to be mainly "a Wi-Fi-driven product." Some analysts have interpreted those comments to mean that AT&T could be surprised by higher-than-expected use of iPads on its 3G cellular network.

The iPad "is extremely bandwidth-intensive," says Craig Moffett, an analyst at Sanford C. Bernstein who has a market perform rating on AT&T's stock. "It could set up users for a disappointment." The iPad's large screen lends itself to bandwidth-hungry applications like watching movies, Moffett says. That means a 3G iPad could wind up consuming double the network capacity that an iPhone does. "AT&T seems to be convinced that most of the time users will be connected to [a] Wi-Fi network," he says. "That's a pretty big stretch, given it's a new device nobody's used before."

Crucial Factors: Sales, Extent of Use

Independent wireless industry analyst Chetan Sharma estimates that a 3G-enabled iPad will consume about two-thirds as much network capacity as a 3G iPhone. If Apple sells 2.7 million 3G iPads this year, as Piper Jaffray & Co. (PJC) analyst Chris Larsen forecasts, that could be the equivalent of 1.7 million iPhones hitting AT&T's network. The iPad "certainly could put a strain" on AT&T's network, assuming that consumers use its Internet capabilities extensively and sales match his forecast, says Larsen, who has an overweight rating on AT&T shares. "If they were to get into a situation where they again got behind the capacity, it would damage their reputation," Larsen says.

To be sure, the iPad likely won't bring a large telecom network to its knees. And until consumers start snapping them up—analysts' estimates range from 2 million to 6 million iPads sold in 2010—the industry won't know for sure how extensively iPad owners will stream video and perform other bandwidth-intensive tasks. Many users may opt for less expensive Wi-Fi-only versions of the iPad and use them in hotspot-laden areas such as their homes, airports, and coffee shops.

Three initial versions of the iPad, which go on sale in the U.S. Apr. 3, will communicate using Wi-Fi wireless Internet technology. Three additional models due later in April will communicate over 3G. Buyers of the 3G-enabled iPads will be able to access AT&T's cellular network for \$15 per month or \$30 per month depending on how much data they plan to consume. Those plans

will also include access to AT&T's more than 20,000 Wi-Fi hotspots in the U.S. "We feel very good about where our network is," says AT&T spokesman Mark Siegel.

AT&T, Apple Foresee Few Problems

Glenn Lurie, AT&T's head of emerging devices, says the iPad's ability to gracefully hop between cellular and Wi-Fi connections will help ease any network strain. "We're giving you the ability to have a very nice experience," he says.

Apple spokeswoman Natalie Kerris says users aren't apt to experience network congestion. "AT&T is a great partner and they are offering a landmark deal for iPad customers with no-contract data plans at great prices," she says.

Still, many users could consume large amounts of bandwidth by watching videos on the iPad's 9.7-inch screen. A two-hour movie would likely send three to five times more data to the iPad than watching a similar video file on an iPhone or iPod would, estimates James Brehm, a senior consultant at Frost & Sullivan.

The files would be much larger than those containing electronic books, which have been the predominant use of tablet-style devices like Amazon.com's (AMZN) Kindle.

Jonathan Schildkraut, an analyst with Jefferies & Co. (JEF) who has a hold rating on AT&T shares, says that the iPad "could be a network hog." "Longer term, you could see it causing network congestion," he says.

Fonte: BusinessWeek. Disponível em: <www.businessweek.com>. Acesso em: 5 abril 2010.

A utilização deste artigo é exclusiva para fins acadêmicos