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Clearwire in wireless pact with DirecTV, EchoStar



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Clearwire Corp. said on Thursday it has signed deals to provide wireless high-speed Internet access to customers of U.S. satellite TV providers DirecTV Group Inc. and EchoStar Communications Corp.

Clearwire shares jumped 23 percent, also helped by a report in The Wall Street Journal that Sprint Nextel Corp., the No. 3 U.S. wireless service provider, is looking to create a wireless broadband partnership with Clearwire, among others.

Analysts noted Clearwire will offer slower Internet access speeds, and not likely be competitive with cable broadband.

The company, founded by wireless pioneer Craig McCaw, said it agreed to provide high-speed Internet service to DirecTV and EchoStar's customers. In return, Clearwire can offer satellite television from either provider to its customers.

The launch is planned for later this year, Clearwire said.

DirecTV and EchoStar face competitive pressure from cable operators, which have won customers with attractively priced packages of video, phone and high-speed Internet service.

Analysts said the deals with Clearwire would not completely solve satellite's problems.

"Clearwire's footprint remains small -- expected to be only 5 percent or so of the U.S. by the end of this year, and perhaps 40 percent by the end of 2013," Craig Moffett, an analyst at Sanford Bernstein, said in a note.

While the deal is generally positive for all sides involved, Clearwire's Internet speeds are unlikely to be competitive with terrestrial broadband, he said.

Clearwire offers Internet access speeds of around 1.5 megabits per second, using over-the-air delivery of Internet access using wireless spectrum.

Major U.S. cable operators typically offer speeds of around 5 megabits per second or higher.

Moffett said because Clearwire's network is wholly separate from the satellite TV companies, a combination between the three businesses will suffer a severe margin cost disadvantage versus cable's single network bundle.

Both DirecTV and EchoStar have separately said they would explore all options available to them, including Wi-Max technology such as Clearwire's, broadband access over power lines and broadband over satellite.

Last year, both companies signed a distribution deal with WildBlue, a satellite broadband provider, partly owned by Liberty Media Holding Corp.

Liberty is expected to close a deal to take a controlling stake in DirecTV by the end of the year.

DirecTV Chief Executive Chase Carey told Reuters last month the company would look at broadband access over power lines. Liberty also has a stake in Current Group, which provides the service.

The Journal reported on Thursday that DirecTV and EchoStar are considering a bid to buy Intelsat, the world's largest commercial satellite provider, which could provide extra capacity to provide more advanced digital TV and Internet access services.

Clearwire shares closed up \$4.63 at \$24.50 on Nasdaq, after touching its highest level since March. DirecTV rose 2.7 percent to \$23.48 on the New York Stock Exchange, while EchoStar ended flat at \$44.93 on Nasdaq.

(Additional reporting by Neetha Mahadevan in Bangalore)

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