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Bringing You a Signal You’re Already Paying For
By MATT RICHTEL

SAN FRANCISCO — Faced with withering criticism for its spotty iPhone service, AT&T blames in part a shortage of cellphone towers near homes and businesses. But it has a solution: put a miniature cell tower in your living room.

There’s a catch, though. You have to pay for it. And that is making some customers angry.

The size of a couple of decks of cards, these mini-towers act and look like Wi-Fi hot spots at cafes, and redirect cellphone calls from congested cell towers to home Web connections.

“It’s a fabulous idea, especially if you can’t get service, but to charge for it is insulting,” said Christina Zachariades, 28, of Manhattan who already pays $130 a month for iPhone service but cannot receive or make calls in her fifth-floor apartment on the Upper East Side. “How much more do I have to pay to get the service required for me to use my phone?”

Despite complaints like this, the technology is poised for big sales, thanks to price drops but also because of the entrance into the market by AT&T. Other companies — Verizon, for example — have already marketed their mini-towers for niche use to customers in places with limited cellphone signals, like basements or homes with particularly thick walls.

But although AT&T says its mini-towers will help in that kind of situation, it also acknowledges that it wants to help iPhone users who cannot get consistent signals.

The company, which has been testing such devices in a few markets, plans to officially start selling this month what it calls “MicroCells” in a few places for $150.

Even though the calls would be offloaded to an Internet service provider, AT&T customers would be charged for the minutes of phone service in their existing wireless plans unless they pay an extra $20 a month for unlimited calling. (The call volume is not expected to clog the
Over the long term, basic economics favors mini-towers in homes over big towers, said Pasquale Romano, chief executive of 2Wire Inc., a company in San Jose, Calif., that is developing one of the devices.

He said it did not make sense for carriers to spend money building large towers in residential areas because most people are not home during the day; as it is, AT&T already plans to spend $8 billion this year on improving its wireless coverage, including on big towers, according to public filings.

And the mini-tower, Mr. Romano said, will pay consumers a big dividend. “It’ll make your cellphone work perfectly at home,” he said.

But David S. Isenberg, a telecommunications industry analyst who recently worked as a senior adviser to the Federal Communications Commission, said mini-towers were a better deal for AT&T than for its customers.

“It directly addresses a deficiency AT&T has gotten a black eye from with its iPhone,” he said. But he added that the company also had a chance to lock in customers with new deals that include a mini-tower. “It’s so much more of an advantage for AT&T than it is for the customer.”

The price for the AT&T device could fall to $49 if consumers buy a broadband or in-home calling plan, and could be free to customers who buy both. Still, marketing mini-towers has its risks for AT&T. Even though it expects the towers to improve signal quality and take pressure off its network, they could displace landline telephones because wireless consumers will not need a second phone number. And while landlines are quickly disappearing, they still bring the phone companies billions of dollars.

David Christopher, chief marketing officer for AT&T’s wireless and consumer markets, said the company initially planned to sell the devices in only a few cities, including New York and San Francisco. They are among the cities with high concentrations of iPhone users who complain that the service does not work even in homes and offices with direct line of sight to traditional cellphone towers.

“This has very interesting longer-term potential,” Mr. Christopher said of the microcells. “We have to be thoughtful that this doesn’t cause more cord-cutting,” he added. At AT&T, residential landlines have fallen about a third since 2006, to 26.4 million.

An AT&T spokesman, Mark Siegel, said consumers frustrated by iPhone service and concerned about paying for a MicroCell were asking a fair question. But, he said, “we are taking significant
Industry analysts say mini-towers, known as femtocells, are poised for spectacular growth. Shipments should grow from 571,000 this year, to 1.9 million next year, to 40 million by 2013, according to iSuppli, a market research firm.

And falling prices will help propel sales. Two years ago, for example, consumers would have paid $500 or more.

Cisco, Samsung and Netgear are among the companies that make the towers; Qualcomm and Texas Instruments, which make chips for phones, have also developed products.

Francis Sideco, an analyst at iSuppli, said there were still bugs to be worked out before femtocells become a mass-market product like wireless routers or storage devices, which were once hard to market.

Wireless phone companies must make sure they do not interfere with one another; work even when consumers change their location in a house or business; and work seamlessly with the larger cell towers, so that calls can be handed from one to the other.

Sprint sells its mini-tower, the Airave, for $99, along with a $4.99 monthly fee that it markets as “having your own miniature cell tower.” Verizon introduced its “Network Extenders” in January 2009; the company sells them for $250 and says they are meant for residents whose homes have unusual geographic constraints that limit cellphone signals.

Tom Pica, a Verizon spokesman, said the product had found a niche market.

There also are ways to connect mobile phones to Wi-Fi hot spots, but that requires people to download software, like Skype, to route the calls to the cellular network.

AT&T says its mini-towers will help not just the customers who own them but others using the AT&T network because there will be less traffic. AT&T says its device is the first femtocell on the market to allow users to send not just voice signals but also data over their phones.

“It’s a great user experience, and it’ll help offload data from our network,” Mr. Christopher said.

It could be great, customers say, but grudgingly.

“They want to find a new way to make money off me, versus actually servicing me for the money I pay already,” Ms. Zachariades said. “They’re trying to find a way to profit from their weakness.”