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“Sprint Forges Deal to Buy Assets from U.S. Cellular”

The article “Sprint Forges Deal to Buy Assets from U.S. Cellular”, by Thomas Gryta, details how the cellular provider Sprint is buying spectrum licenses and customers from the small regional carrier U.S. Cellular. The deal will cost cash-strapped Sprint $480 million but will grant Sprint valuable spectrum in the Midwest, including key markets such as Chicago. “Spectrum” refers to the wireless frequencies that cellular providers lease from the government to broadcast their networks on, more spectrum can mean more capacity and better coverage for customers. This purchase will mark one of the first expenditures of cash that Sprint has gained as its purchase by the Japanese carrier Softbank progresses. In addition to the all-important spectrum Sprint gains from this deal, they will also be gaining 585,000 customers from U.S. Cellular, these customers will be transferred to Sprint’s network when the deal is completed. The deal is subject to regulatory approval, but is likely to be approved.

I find the article interesting because this is yet another move towards consolidation in the wireless market. As things currently stand AT&T and Verizon are the largest cellular providers in the U.S., both roughly double the size of Sprint. Late 2012 going into 2013 seems to be ushering in a new era of wireless consolidation, T-Mobile announced a deal to merge with smaller regional carrier MetroPCS, Sprint is in the process of being acquired by Japan’s Softbank and has just increased its stake in Clearwire to 50.4%, and now Sprint’s purchase of U.S. Cellular’s Midwest assets. This kind of large scale and in some cases, international consolidation is vastly altering the mobile landscape in the U.S. and will have massive consequences in the future. Sprint increasing its spectrum holdings and subscriber base will be a great thing for sprint customers in the near term; however, I worry what degree of negative effect this consolidation will have on competition in the market. In one hand having larger and more powerful #3 (Sprint) and #4 (T-Mobile/MetroPCS) may increase competition by turning the smaller carriers into viable threats to the much larger #1 (Verizon) and #2 (AT&T) carriers. In the other hand consolidation often results in less competition due to customers having fewer options, allowing large greedy corporations to raise prices arbitrarily. Insofar as this acquisition of assets from U.S. Cellular affects my life, I am happy to see Sprint be able to increase the quality and scope of their network, but this general trend of consolidation leaves me uneasy about the future of mobile services in the U.S.