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So Many Cell Plans, So Few Choices

By Winston ROSS | 12/30/13 at 2:41 PM

Kill your cell phone.

Not your actual cell phone, just the part that makes phone calls. The part you never use, because texting and emailing are so much more efficient, because they eradicate phone tag and those awkward, drawn-out good-byes. Because they are the better ways to communicate on the move.

But knowing that doesn't mean you can stop paying for those minutes. If you've ever tried to lop from your cell phone bill the portion of your service you no longer use (or want or need), you'll soon discover the Conspiracy Against Choice foisted upon American consumers. This is not some anti-capitalist paranoia, experts in the field tell *Newsweek*. Major cell phone providers in the U.S. know that profits plunged when overseas carriers allowed consumers to tailor plans to their usage. Jan Dawson, chief analyst at the tech research firm Jackdaw, says that in Europe and Asia, after more and more users began sidestepping paid texting plans via an app called Whatsapp, "text messaging revenue just crashed."

In the States, the major carriers winked and nodded and puffed cigars and refused to unbundle anything (with some occasional and paltry exceptions) as more and more of their customers ask: Do I really *need* cell service, when I'm around Wi-Fi nearly all day, I can text via iMessage or a third-party app, and if I really want to get fancy, I can make calls using Voice-over Internet Protocol through something like Google Voice?

There are more than a dozen companies in the U.S. with plans that seem to offer limitless choices – until you try to sign up for said plans. Let's say you take your unlocked iPhone 5 to Walmart's Straight Talk: a screaming deal at \$45 a month for unlimited talk, text, and data. The catch: You won't be able to take advantage of 4G LTE capabilities, instead

you'll be shackled to plodding 3G. That's fine, you say? Onto catch No. 2: Straight Talk will not sell you the nano SIM card you need to activate your "unlocked" iPhone 5, and nano SIM cards are the only kind that fit into the iPhone 5.

Same problem with Consumer Cellular (though you can order a nano SIM online, allegedly). Yes, you can play mad scientist, download templates from the Internet and attempt to slice with a scalpel or scissors and sandpaper the micro or regular SIM cards those carriers do provide down to nano size – but most of us aren't mad scientists.

Verizon has prepaid, no-contract offerings, but none with 4G LTE at any savings over the \$100-plus you were spending in contract, and it doesn't allow you to create a plan that serves up only what you know you'll use. AT&T offers a 4G-capable plan for \$60 a month, but it's 2 gigs of data, and there's no option to unbundle those pesky unlimited calls and texts. You can buy a plan with 500 minutes for \$40, but it comes with a measly 200 megabytes of data.

Avi Greengart, research director for consumer platforms at Current Analysis, says consumers are desperate for better options. "[It's] like what we're seeing with [landline] cord-cutting in the home," he tells *Newsweek*. "People are saying 'I don't want to pay for this.'"

Enter the upstart: Two-year-old Republic Wireless appeals to consumers who want to make precise choices about how much data and how much cell phone they want, and all options are reasonably priced because the service only operates on a phone designed to use Wi-Fi as an automatic default. The catch: Only one phone works with Republic – the Moto X.

There are options for people who want to do most of their smartphoning with data, or without paying exorbitant rates; they're just tough to sleuth out. Greengart has T-Mobile's \$30-a-month prepaid plan, which offers 100 minutes of voice calling and 5 gigs of data – plenty for most users. It's a bit of a hassle to activate in the unlocked iPhone 5 scenario, though: You can't buy the service anywhere but Walmart, and Walmart doesn't carry nano SIM cards, which means you drive to a brick-and-mortar Walmart, buy an activation kit, go home, use Google Voice via Wi-Fi to activate the line, and then go to a T-Mobile store to pick up a nano SIM card, at which point you're humming along with 4G

LTE coverage... unless you're outside the heart of a large metropolitan area, that is. T-Mobile's coverage in many rural areas is derelict, and after Friday's news that Sprint is buying the company, it's hard to say how long this plan will be available.

CNET blogger Jason Cipriani recently penned a post in which he tested a little-known workaround to Verizon's refusal to offer data-only cell phone service (unless you're deaf, and can prove it): He took an activated 3G iPad Mini, popped out the nano SIM card and installed it in an Android phone. It's not 4G, but it worked, and if he was willing to stick to Google Voice, Skype, FaceTime, and iMessage, he'd never need the cellular service.

But that scheme only works if you buy a 3G iPad, activate it and then relinquish its connectivity for as long as you've got that SIM card stuck in a different device.

Despite the consumer demand, it's not a foregone conclusion that the major U.S. carriers will eventually cave. AT&T CEO Randall Stephenson did say at an investor conference last year he predicted "people in the marketplace" with data-only plans, but he stopped short of announcing any such offering from his company.

At this point, that's probably because millions of people are still buying what he's selling. Ninety-one percent of American consumers pay for cell phone service – the highest voice-usage rate in the world, Greengart says, and only the "pretty techy kind of people" are trying to buck that system, says Dawson, adding that, "people are used to being able to reach you on a phone number; you're used to being able to hit the phone icon, dial, make a call."

Wireless companies make more and more profit the less and less you use the services you're paying for. Why would they change that dynamic, when it's so hard for consumers to switch to a smaller competitor and get comparable service? The biggest carriers in America have locked up the best and fastest coverage, which means you get what you pay for, even if you don't really want it or use it.

That will only change, says Republic Wireless CEO David Morken, when a credible competitor offers a better way, and he's not just talking about his company. As the little kid on the cell block, T-Mobile had to innovate to stay relevant, and that worked – Sprint

took notice, and gobbled the company up last week. Now Sprint is the much bigger “third place” to Verizon and AT&T, and is better positioned make a bold, creative move to siphon off those of us who are tired of talking on our phones the old-fashioned way.