

Cricket gets first prepaid iPhone in mainland US

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NEW YORK (AP) -- Leap Wireless International Inc., the parent of the Cricket cellphone service, on Thursday it will be the first mainland U.S. phone company to sell the iPhone on a prepaid, no-contract basis.

Starting June 22, Leap will sell the iPhone 4S starting at \$500 and the iPhone 4 starting at \$400. Service will cost \$55 per month for unlimited calls, texting and data.

Leap Wireless International Inc., which is based in San Diego, focuses on selling no-contract service to low-income households. Its own network is limited to some cities. In other places, it uses Sprint Nextel Corp.'s network.

The iPhone is compatible only with part of Leap's network and the company is limiting sales to those areas, which include Houston and Austin, Texas; Portland, Ore.; Pittsburgh; Denver; and Salt Lake City.

Leap said the phone will be available in areas covering about 70 percent of its 6.2 million subscribers. It's the sixth-largest cellphone company in the U.S., by number of subscribers.

Open Mobile, which serves Puerto Rico, became the first U.S. company to start selling no-contract, prepaid iPhones on May 18.

Leap's "unlimited" data plan for the phone is slowed down after 2.3 gigabytes of usage since the start of a monthly billing cycle. That's a slightly lower limit than Verizon or AT&T impose for their "unlimited" plans.

Apple sells the iPhone at an average wholesale price of \$647. The bigger phone companies then subsidize it by hundreds of dollars to sell it for \$99 or \$199. They count on making their money back in service fees over the life of a two-year contract. Since Leap sells the phone without a contract, it's subsidizing the phone less.

Larger carriers also sell the iPhone without a contract plan. But those phones cost more than iPhones bought through plans, and service costs the same as for phones used on a contract plan. Leap's plan is cheaper than what most iPhone customers pay.

Since the iPhone is so expensive, it's not a given that it's a good deal for a phone company to sell it. In a presentation to investors, Leap said it has committed \$900 million over three years to buying iPhones. That's just 10 percent of its projected spending on phones, it said, and it doesn't expect iPhone sales to affect its operating income this year.

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Leap shares rose 12 cents, or 2.1 percent, to \$5.89 in morning trading.

The iPhone is hugely popular, but its price has kept it out of reach of many people who want it, across the world. When asked whether they could produce a cheaper model to satisfy demand, Apple executives have said that their first priority is making a good phone.

Missing from Leap's iPhone lineup is the 3GS, an older model that's still sold by AT&T. It's cheaper than the newer models, but doesn't work with Leap's or Sprint's networks.

Verizon Wireless, AT&T Inc. and Sprint, the three biggest cellphone companies in the U.S., already sell the iPhone, as do a half-dozen smaller, regional phone companies. The biggest companies that don't carry it are T-Mobile USA and MetroPCS Communications Inc. U.S. Cellular Corp., another regional carrier, said it turned down the chance to sell the phone because of its cost.

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