SUMMARY:

The mobile landscape in the U.S. is balkanizing. The big regional carrier is disappearing, leaving us with four national operators dominating the cities and only the tiniest of carriers filling the gaps in between.

Back in the mid-2000s, there was a pretty vibrant community of mid-sized regional mobile providers in the U.S. Alltel ruled over the rural providers with 12 million subscribers and a bigger coverage area than even the nationwide carriers, while multiple operators — from Dobson Communications to Centennial Wireless — boasted millions of subscribers and were forces with which to be reckoned in their corners of the U.S.

No more. In the last five years all of those carriers and many more have been gobbled up by the national carriers. And the Big 4 have only come back to the operator buffet for more. In May, the biggest of the regionals, MetroPCS, was subsumed into T-Mobile. AT&T is now trying to buy up the last remnants of Alltel along with the current carrier occupying the No. 5 slot. Leap Wireless.

If that Leap deal closes, there will remain only a single carrier apart from the Big 4 with more than 1 million subscribers. U.S. Cellular still hosts 5 million mobile connections, but it's shrinking, not growing. It abandoned its two largest cities in June, selling its operations in Chicago and St. Louis to Sprint and shedding half a million customers in the process.

Have the smaller operators just given up on the mobile business? I put the question to a couple of veterans of the regional carrier world.

Go big or go small – there's no

room left in the middle

Pat Riordan, president and CEO of Wisconsin CDMA operator Cellcom, gave me an interesting statistic. When the M&A dust clears at the end of the year, Cellcom will probably move into the top 10 rankings of U.S. carriers by subscriber, he said.

Cellcom has a mere 300,000 subscribers. Verizon adds that many new customers to its rolls in a *bad* quarter.

Riordan said that irony paints a perfect picture of the current state of the U.S. mobile industry. You have four huge operators on one side and about 125 small regional and rural players on the other. The big carriers manage more than 95 percent of the mobile connections in the country, while the Cellcoms of the country split the remaining 3 or 4 percent.

"That mid-sized group has just thinned out," Riordan said. "Leap and MetroPCS were two of the last big ones, and there was always this hope that they would merge." That hope ended when the T-Metro merger closed. Riordan said that deal wrote the obituary for the large regional provider challenging the Big 4 in the big cities. "I couldn't see Leap lasting long once Metro sold out," Riordan said. "They were both offered prices that they couldn't turn down."

Riordan predicted there would be more carrier buyouts before this consolidation wave is done. In fact, the big carriers are already shopping for tiny operators. Last week, Iowa's Long Lines revealed AT&T will be taking over its rural mobile business. But Riordan said there are still a lot of resilient small operators in the country — ones that have been providing telecom service in their communities for generations and ones that carry little or no debt.

Green Bay, Wisc., isn't New York City, but it's not a hamlet either (it hosts an NFL team you might have heard of). Cellcom goes head to head against Verizon, AT&T and Sprint in its hometown and it remains the dominant carrier in northeast Wisconsin, Riordan said. It was one of the first small regionals to launch LTE, and it's managed to secure devices like the iPhone and high-end Android smartphones necessary to stay competitive.

"I know large companies think small companies should all sell out, but we don't agree," Riordan said. "We think we're still in a rapid growth stage."

But when I asked Riordan if those small regional carriers would ever again grow into big ones, he was much more pessimistic. The mobile industry has balkanized, and if you're not already a force in any given market, Riordan said, you stand little chance of becoming one. That's why U.S. Cellular had to retreat from Chicago — it arrived in both cities late and couldn't compete with the entrenched national operators.