Report: U.S. Carriers Spent $109 Per Citizen in CapEx in 2013

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U.S. carriers shell out about $109 in capital expenditures per citizen annually, according to a new report from Recon Analytics.

2013	Capital Expenditure	Capital Expenditure per Inhabitant	Population
European Union (all 28 States)	$27.681 billion	$54.75	505,572,500
European Union (Five largest countries)	$16.650 billion	$52.64	316,276,500
European Union (next 23 largest countries combined)	$11.031 billion	$58.27	189,296,000
United States	$34.397 billion	$109.58	313,900,000

Roger Entner, founder of Recon Analytics, said in a report that AT&T's efforts to improve the quality of its network resulted in record spending among the four U.S. carriers. Enter notes that in 2013, AT&T spent roughly $11.5 billion on network improvements, while Verizon Wireless spent another $9.75 billion improving its network.

"Let me put this into context: AT&T and Verizon together spent more money improving their networks in 2013 than all 20 operators serving the five largest EU countries (EU5) combined," Enter said. "Once we add the capital expenditure of Sprint and T-Mobile, which both spent more on network improvements last year than they had in previous years, US operators spent more than twice as much as the EU5 operators did to improve their infrastructure covering roughly the same number of subscribers."

The report found that even after adding all 98 operators active in the EU together, their combined capital expenditures are only 80 percent of what the US operators are investing.

According to Entner, U.S. wireless carriers spent roughly $109.58 per US citizen to upgrade wireless infrastructure in 2013, whereas the EU5 carriers that serve the more affluent European countries spent significantly less, at roughly $52.64 per citizen.

"Whether you look at the investment numbers on their own or in comparison with what non-US wireless companies are spending, America's wireless companies appear to be at the upper bounds of investing in infrastructure," Enter said, adding that the research is important as it relates to the FCC's upcoming spectrum auctions and its plans to break up AWS-3 airwaves into narrower channels, which are more expensive to deploy services on.

"So, with US wireless carriers at the upper bounds of investing in infrastructure, is it

reasonable to assume that they will spend even more money to deploy small channel networks that are slower and less efficient? Most investors will tell you that that is not a tenable outcome," Enter said.

Enter noted that while carrier aggregation (CA) may help carriers deal with narrower swaths of disparate spectrum, CA is a new technology with unknown overhead costs when compared to deploying on broad, contiguous swaths of spectrum like those held by Sprint and to some extent T-Mobile.

"None of the vendors working on carrier aggregation technology are willing to publicly state how much the overhead will be," Enter said. "That's not a good omen. Compounding the issue is the fact that the appetite for carrier aggregation technologies has waned because European carriers have moved to wider channelizations, receiving 20x20 MHz licenses in their last spectrum auctions."

Enter said he doubts the FCC was deliberately trying to impede the efficient deployment of high-speed wireless broadband with its allocation decisions, but that it may very well have done just that.

"The simple laws of physics (smaller spectrum channels + (higher traffic volumes * more users) = slower network speeds) combined with economic realities (US companies are already at the upper bounds of capital expenditures to build out wireless networks) portend a slower future for America's wireless subscribers," Enter concluded.

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