

Nexus One with 3G now available for AT&T, but it's a terrible deal

March 18 2010, By Victor Godinez



The Nexus One smartphone.

From a financial perspective, the quiet launch of the AT&T version of the Nexus One is a spectacularly bad deal for wireless users and I urge any AT&T customers thinking of buying the Nexus One to reconsider. I'll explain why in a minute.

First, here are the details.

With the T-Mobile 3G version of the Google Android-powered [Nexus One](#), you can either buy the unsubsidized, no-contract version for \$529 or, if you're eligible, you can get the subsidized, two-year-contract-required version for \$179.

But if you want the AT&T 3G version of the Nexus One, you have only one option right now: the \$529 no-contract/no-subsidy model.

Presumably, if you wish to activate this phone on AT&T's network, you'll be required to sign up for standard smart phone voice and data plans, which run, at a minimum, \$69 per month.

That's the same monthly rate you pay for a subsidized iPhone, for example, or any other smart phone.

If you opt to buy an unsubsidized AT&T Nexus One, you'll be screwed in two ways: on the monthly plan and on the fact that it's cheaper to get out of a contract than to pay for a phone with no contract all.

First, the whole point of the monthly service plans on subsidized phones is that they recoup the cost of the subsidy for the carrier. In other words, yes, your carrier sells you the phone at a discount, but in return, the carrier eventually recoups that subsidy from you by essentially adding a few extra bucks to your monthly fee.

However, if you don't get a subsidy, but still pay the same monthly rate as someone who does get a subsidy, you're paying money to AT&T for a subsidy that you never received.

In other words, you're giving AT&T money for nothing.

But, you protest, I'm not locked into a contract with the unsubsidized phone! That freedom is worth something to me!

And well it should be. In fact, I can tell you exactly how much that freedom is worth: \$175, since that's the across-the-board fee AT&T charges users to get out of their two-year contracts ahead of the actual expiration date. That fee is also reduced by \$5 every month over the

course of a 24-month contract.

So, in theory, the price difference between the subsidized and unsubsidized version of a phone on AT&T should never be more than \$175. If the price difference is greater than that, then you're better off signing up for the subsidized version of the phone and just paying the early termination fee if and when you decide to leave.

So if T-Mobile is selling the subsidized version of the Nexus One for \$179, I presume that any AT&T-subsidized version would be \$179, as well, just to stay competitive.

So the max anyone should be willing to pay for the AT&T Nexus One is \$179 plus \$175 (the standard AT&T ETF). In other words, \$354.

So the fact that Google is charging \$529 for the AT&T 3G Nexus One is a travesty.

Now, I am aware that Google also requires a \$150 "equipment recovery fee" on any T-Mobile Nexus One returned within 120 days of purchase. No other wireless device manufacturer does that, as far as I know, and frankly I think that's one reason the Nexus One has been a commercial flop.

Throw that \$150 on top of AT&T's \$175 ETF and come up with a total "subsidy value" of \$325. Add that onto the \$179 contract price of the Nexus One, and the unsubsidized handset should therefore cost \$504.

In other words, even with Google's and AT&T's fees, it still should be cheaper to buy a Nexus One on contract and cancel, rather than buy the unsubsidized model.

What's more, keep the phone for just three months and Google's \$150

fee drops off entirely, making it much cheaper to cancel your contract than to avoid it in the first place.

BUT, Google and AT&T aren't selling a subsidized version of the Nexus One that runs on AT&T's [3G](#) network.

In other words, Google and AT&T are both trying to squeeze far more money out of Nexus One buyers than any other handset manufacturer or carrier, and they're not offering the device in any way that lets you avoid those outsize prices.

How to avoid it? Don't buy it.

Wait for a subsidized version. And try it for three months.

After that, the Google recovery fee is void and all it will cost you is \$160 (the pro-rated AT&T termination fee) to walk away.

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