

a report by

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Michael Altschul is the Senior Vice President for Policy and Administration and General Counsel of the Cellular Telecommunications & Internet Association (CTIA). He joined CTIA in 1990 after serving with the Antitrust Division of the US Department of Justice and, prior to that, he began his legal career as an attorney specialising in antitrust litigation with Simpson Thacher & Bartlett in New York City.

As General Counsel, Mr Altschul is responsible for CTIA's legal advocacy and compliance with antitrust and other applicable laws, and he is an active participant in the development of CTIA's public policy positions. He serves as co-chair of the Federal Communications Bar Association's (FCBA's) Ad Hoc Committee on Telecommunications Competition Issues, and has also served as co-chair of the FCBA's Wireless Telecommunications Practice Committee. He is also a member of the Antitrust Section of the American Bar Association, where he serves on the Communications Industry Committee. Mr Altschul received a BA degree in Political Science from Colgate University, and a Juris Doctor from the New York University School of Law. He is admitted to the Bar in Illinois, New York and the District of Columbia, the United States Supreme Court, the United States Court of Appeals for the District of Columbia, the United States District Courts for the District of Columbia and the Southern and Eastern Districts of New York.

This has been an exciting and evolutionary year for the wireless industry. In the first six months of 2002, subscribers in the US reached nearly 135 million, with wireless customers generating more than US\$37.5 billion in service revenues. Wireless customers also made almost 300 billion minutes of calls in the first six months of 2002 – up 48% from the 197 billion minutes made in the first half of 2001.

Earlier in 2002, interoperability for inter-carrier messaging was addressed by the Cellular Telecommunications & Internet Association's (CTIA's) Messaging Interoperability Working Group, and effectively resolved across the major carriers' networks. As a result, reported short message service traffic in the US rose from just 33 million messages in June 2001 to almost a billion messages in June 2002. More recently, the Federal Communications Commission (FCC) set aside 90MHz of harmonised spectrum for advanced mobile services, capping a years-long process involving the wireless industry, the FCC and the National Telecommunications and Information Administration (NTIA). Working together, these groups ensured that additional spectrum was allocated to help bring innovative wireless services to consumers.

As much progress has been made, many obstacles still remain. It is crucial to address these issues in order for the wireless industry to recover economically and to continue to grow and serve the public through innovative service offerings. Today, the unnecessary activities of government agencies are hindering American companies in the global market and imposing costs on them (and their customers), unlike those experienced by providers and consumers of any other competitive products or services. There must be a change in the way government approaches the wireless industry, both with respect to its overall attitude and rules, and its spectrum policies.

In the US, it should be recognised that wireless is a national service that should not be regulated at multiple levels of government. Instead, the wireless industry is now experiencing increased scrutiny by state regulatory agencies and legislatures that substantially impacts national wireless priorities.

Moreover, there has been a proliferation of unfunded government mandates at both the federal and state levels – something that must not only cease, but must also be reversed in order to avoid harming consumers and weighing down the economy. Fundamentally, a critical change in the government's focus needs to occur – regulations adopted by the FCC and other agencies must be demonstrated to be 'necessary', not just 'desirable'.

In the US, the current interconnection rules encourage and permit wireline carriers, especially rural carriers, to impose unnecessary facilities and costs on wireless carriers, thus creating a form of industrial featherbedding that increases costs and decreases efficiencies and thereby hurts consumers. More efficient interconnection rules should be implemented to reverse these effects on wireless carriers. In fact, wireless could serve as a test case to evaluate how such reform affects the broader issues in the interconnection docket pending at the FCC.

With respect to spectrum policy, several broad principles should be recognised and the appropriate conclusions drawn. First, the government must provide for the allocation of adequate spectrum to serve a multiplicity of wireless purposes. Second, the amount of spectrum specifically available for commercial wireless services should be expanded over time. Third, it is particularly important for policy-makers to understand that spectrum allocation decisions are not superseded by technology or the general doctrine of 'flexibility'. Fourth, spectrum assignment decisions must be made in a manner that promotes the maximum service from the assignment. The current spectrum auction process ties spectrum availability to up-front payments rather than alternative approaches that allow for more efficient use of capital by minimising outlays for spectrum. Worldwide experience has demonstrated that the ability of the government to extort vast amounts of cash from carriers has been injurious to all concerned.

On behalf of the CTIA, we hope that you find *Business Briefing: Wireless Technology 2003* an informative text that sheds light on the issues that the wireless industry faces today. ■