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FCC Cruises Down Middle of the Spectrum

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The Federal Communications Commission has chosen to do a balancing act between



competing interests with its new wireless spectrum rules. On one side are those that want to open access of the coveted, flexible 700 MHz wireless spectrum to more competition. Their opponents believe that commercial investors willing to pay big bucks for the band ought to be allowed to control it.

The [Federal Communications Commission](#) (FCC) voted on the rules governing the upcoming auction of the controversial 700 MHz radio spectrum band, taking a middle ground that may or may not result in a significant changes for the wireless broadband and cellular service industry.

Signals broadcast in the 700 MHz band spectrum, which runs from 698 to 806 MHz, have the coveted ability to travel long distances and go through the walls of buildings. The spectrum has been previously used by TV stations that are now moving to digital distribution, and all stations will vacate it by 2009, opening the doors for cellular service or broadband companies.

Of course, the FCC will auction off the rights to use the publicly owned spectrum, which is expected to raise around US\$10 billion. The FCC split 62 megahertz of the band, divided into five blocks that will be auctioned for commercial purposes.

The Basics

On one side of the debate over the 700 MHz spectrum is the idea that its auction could result in a third pipe of broadband competition that would

challenge the access "duopoly" of cable and phone companies. In this scenario, the winner of the auction would be required to resell [wireless](#) services at wholesale prices to third parties who could then compete against the auction winner, presumably generating better customer service 📺, and more kinds of other service options.

In addition, some proponents have lobbied the FCC to ensure that other third parties, like Internet service providers, could access the [wireless network](#).

But wait, there's more. From a consumer standpoint, proponents for maximum openness also wanted the potential licensee to be able to use any handheld communications device with their preferred wireless network, as well as be able to download any software applications or content they desired.

Opponents of all of these desired requirements tend to be the existing [wireless service](#) providers -- or their supporters who believe that commercial investment is in the best interest of the public. In order to use the 700 MHz spectrum band, a licensee must first build out the network infrastructure 📺, which will likely take years and cost an additional several billion dollars.

Consequently, any company willing to shell out billions just to license the spectrum will typically want to control it as much as possible.

The Money Angle

By opening up the spectrum to new competition, consumers would no doubt benefit from new choices driven by hungry new service providers. On the down side, by requiring openness, the FCC would effectively reduce the value of the 700 MHz spectrum to the potential auction winner, which would likely drive down the price of acquisition.

"The FCC is not a charitable organization," said Rob Enderle, principal analyst for the Enderle Group.

"They generate a substantial amount of revenue for the government, and I do think they were very much aware of that," he told TechNewsWorld.

The Middle Ground

"None of us like how the current system locks you into wireless service plans that limit the kind of phone or PDA (personal digital assistant) you can use, prevent you from downloading and using the software of your choice, and charge you hefty termination fees if you try to get out," Richard Whitt, [Google's](#) (Nasdaq: GOOG) 📺 Washington telecom and media counsel, wrote on the Google Public Policy Blog shortly after the FCC's vote.

"And it's hard to ignore how the existing wireless carriers talk a good game about the virtues of the free market, but prefer to keep us stuck in their closed market," he added. "Today the FCC took some concrete steps on the road to bringing greater choice and competition to all Americans."

Concrete Steps

The FCC voted to require that the licensee of a large 22 MHz block of spectrum provide a platform that is more open to devices and applications -- effectively allowing customers to use any device or software application of their choice.

In addition, the FCC also established a framework for a 700 MHz Public Safety/Private Partnership between the licensee for one of the commercial spectrum blocks and the licensee for the public safety broadband spectrum. As part of the Partnership, the commercial licensee must build out a nationwide, interoperable broadband network that public safety first responders, such as police and fire departments, can use in an emergency.

Google has engaging in a high-profile lobbying effort for wide open access rules and has been considering its options for bidding on the spectrum itself.

Not Enough?

On one hand, the fact that it is even thinking about end customers and greater consumer choice is a massive leap forward for the FCC, which has been led into this arena by Kevin Martin, its chairman. Still, some say the agency's decision is a missed opportunity for a thoroughly game-changing win for consumers.

"As this process has shown, people are no longer going to be happy with phones and services that would be considered an expensive joke in Europe and Asia," Harold Feld, senior vice president of the Media Access Project, told TechNewsWorld.


"While I respect the fact Martin was willing to push for this, and I think he's sincere about this kind of more open competition ... this doesn't go far enough," he noted.

"This sort of a half-measure eats up a lot of competition. If you had the wholesale condition we had asked for, you'd see companies who would offer a plain, straightforward wireless connection where you could bring any device, because they know that's what people want," he explained.

"Without that condition, you have a situation where only a handful of companies control the airwaves," Feld continued, "and, in fact, they are going to drag their heels and make [open access] as difficult as possible, and the FCC will be up to their necks in this trying to enforce this so it does what they want it to do."

All a Moot Point?

Either way, by the time any winning bidder can get its hands on the spectrum and build out a network that can take advantage of it, the nation might be using predominantly other technologies for communication.

"We've got WiMax rolling into the market, and coupled with VoIP (Voice over Internet Protocol), you kind of wonder if we'll even need this before it arrives," Enderle noted. "But it's better to have an option and not need it than to not have an option at all." 

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