

Verizon boosts access to wireless network

By Matthew Scott

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Verizon's decision last week to give customers the option to use any wireless device, software or application on its wireless network is a clear signal that wireless carriers are looking for strategic advantages as the industry gears up for dramatic changes over the next five years.

And as other wireless providers promote open networks, the array of consumer choices and even corporate applications could be limitless.

"The initial impact [on corporations] will probably be small," said Allen Noguee, a wireless technology and infrastructure analyst with technology research firm In-Stat, noting that most corporate data today have been limited to traveling via cellular modems and laptops with built-in cellular modems. "But in the future, this opens the way for cellular to be used in many types of devices used in corporate environments."

Mr. Noguee suggested that with open access, companies could, for example, run applications to check inventory on mobile devices, something the carriers' stringent network access approval process has discouraged. Or corporations could design handsets that use the wireless network to remotely access products and services, such as operating vending machines, as is done in Europe.

By embracing the idea of "open access" on its network, Verizon is encouraging handset manufacturers and developers of software, gaming and other devices to create products and services that will operate on its network for a fee.

But analysts disagree about whether the Verizon announcement offers the truly "free open access" that many in the industry are pushing for. Many speculate that Verizon embraced open access only after realizing it would have a difficult time competing with its rivals if it continued to rely on a closed network. With the Federal Communications Commission auction of 700 megahertz (MHz) licenses, including the 22 MHz open-access block, scheduled for Jan. 24, and Sprint building out a WiMax network, which is open access, the company saw that a move to open access was inevitable. Just two months ago, Verizon withdrew a lawsuit against the FCC over rules that require carriers to open their networks.

During a conference call following the announcement, Verizon Wireless CEO Lowell McAdam denied that the move had anything to do with the upcoming auction, but acknowledged, "Soon Verizon Wireless will not be able to meet every customer's needs with our specific portfolio."

After making its technical standards available to developers early next year, Verizon said it will allow any device that meets those standards to be on the network, and any applications the customer chooses will be allowed on those devices.

Just allowing outside handsets alone could be lucrative. Verizon's network only accepts CDMA-based handsets, which are used by 60% of the U.S. market but only 20% of the global market. Providing access to GSM-based handsets would offer a greater array of choice for U.S. consumers, a market Verizon would not have access to if it continued to maintain a closed network.

"This is a very canny move on Verizon's part," said Avi Greengart, an analyst with Current Analysis. Mr. Greengart said it allows Verizon to claim "openness" and position itself as developer-friendly at a time when other players, including Google's Open Handset Alliance, Symbian and Microsoft Windows Mobile are vying for the same developer pool.

But Mr. Greengart pointed out that the obvious hole in the Verizon announcement is that it doesn't specify types of new service options the carrier would offer or the cost that new subscribers with handsets outside of Verizon's offerings would pay to access them. Those answers won't come until next year, once developers have a chance to create devices for the network and Verizon can price access based on demand.

Harold Feld, senior vice president of the Media Access Project, also noted that Verizon would not guarantee that all devices would be able to access all services, and “without the certainty that comes from making open platforms a right rather than a privilege at the mercy of a provider’s business plan, innovation and choice in the wireless world will continue to lag behind Europe and Asia.”

AT&T spokesman Mark Seigel downplayed the announcement, explaining that all carriers have been “open” to different devices and applications under different circumstances and noting that his company is the largest seller of BlackBerry handsets, and also supports the Apple iPhone and all major video, music and e-mail platforms. Expect all major wireless carriers to promote different aspects of “openness” as the FCC auction of the 700 MHz spectrum draws nearer, he added.

“If you read their announcement carefully,” said Mr. Seigel, “They are saying if your device or application is certified for use on their network, then they will allow that device to be used. Well that’s no different than what any other carrier does right now.”—**Phil Carson and Jeffrey Silva of RCR Wireless News, a sister publication of Financial Week, contributed to this article.**

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