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FCC ADOPTS ANNUAL REPORT ON STATE OF COMPETITION IN THE WIRELESS INDUSTRY

Washington, D.C. – The Federal Communications Commission has adopted its Ninth Annual Report to Congress on the state of competition in the commercial wireless -- or Commercial Mobile Radio Services (CMRS) – industry. Today, the Commission concluded that there is effective competition in the CMRS marketplace, based on the analysis of several measures of competition, including: the number of carriers competing in an area, the extent of service deployment, prices, technological improvements and product innovations, subscriber growth, usage patterns, churn, and investment. The Commission reviewed competitive market conditions using a framework that groups indicators of the status of competition into four categories: (1) market structure; (2) carrier conduct; (3) consumer behavior; and (4) market performance. Key findings include --

With respect to market structure, the Commission found that 97 percent of the total U.S. population lives in a county with access to 3 or more different operators offering mobile telephone service, up from 95 percent in the previous year, and up from 88 percent in 2000, the first year for which these statistics were kept. The Commission found somewhat larger increases in the percentage of the U.S. population living in a county with access to 4 or more, 5 or more, 6 or more, and 7 or more different mobile telephone operators in the past year, indicating that competition is robust in terms of the current number of competitors per market, and also that spectrum availability and other key determinants of entry conditions are favorable to continued competitive entry at the local level.

With respect to carrier conduct, the Commission found that competitive pressures continue to compel carriers to introduce innovative pricing plans and service offerings, and to match the pricing and service innovations introduced by rival carriers. Price rivalry, the Commission found, is evidenced by the continued expansion of pricing innovations such as free night and weekend minutes and free mobile-to-mobile calling among an individual carrier's customers. Though most U.S. mobile telephony subscribers have postpaid service, meaning they pay their mobile phone bill after they have incurred charges, all the nationwide operators offer some version of a prepaid service, either directly to their retail customers or through third-party resellers.

The Commission noted that the deployment of competing technological standards also continues to be an important dimension of non-price rivalry in the U.S. mobile telecommunications market. The carriers using TDMA/GSM as their second-generation digital technology continue deploying or planning to deploy the next-generation technologies on the GSM migration path, including General Packet Radio Services ("GPRS"), Enhanced Data Rates for GSM Evolution ("EDGE"), and eventually Wideband CDMA ("WCDMA"). Similarly, many CDMA carriers have been upgrading their networks to CDMA2000 1xRTT, and some CDMA carriers have begun deploying a high-speed wireless data network using CDMA2000 1X EV-DO (evolution-data only, "EV-DO"), the next step in the CDMA migration path after 1xRTT. The Commission recognized that, in addition to investing in network deployment and upgrades, certain carriers have continued to pursue marketing strategies designed to differentiate their brands from rival offerings with regard to various aspects of network performance such as geographic coverage, voice quality, and wireless data speeds.

With respect to consumer behavior, the Commission found that consumers contribute to pressure on carriers to compete on price and other terms and conditions of service by actively searching for information on competitive alternatives and freely switching providers in response to differences in the cost and quality of service. The Commission noted that average monthly churn rates remain at about 1.5 to 3.5 percent per month and that the advent of wireless local number portability in November 2003 has lowered consumer switching costs by enabling wireless subscribers to keep their phone numbers when changing wireless providers.

With respect to market performance, the Commission concluded that competitive conditions in the CMRS marketplace are providing significant benefits to consumers by a number of performance indicators. In the 12 months ending December 2003, the United States mobile telephony sector increased subscribership from 141.8 million to 160.6 million, raising the nationwide penetration rate to approximately 54 percent of the population. Mobile subscribers continued to increase the amount of time they spend talking on their mobile phones, with average minutes of use per subscriber per month rising to more than 500 minutes by the end of 2003 from 427 minutes in 2002 and 255 minutes in 2000. The Commission noted that, though U.S. mobile subscribers still prefer to use their mobile phones to talk rather than to send text messages ("SMS"), the popularity of text messaging and other handset-based leisure and entertainment applications increased during 2003 as evidenced by, among other indicators, a steep rise in the volume of SMS traffic and an increase in the estimated percentage of U.S. mobile subscribers considered to be casual data users. Two different indicators of mobile pricing - revenue per minute and the cellular Consumer Price Index ("CPI") – have continued to drop, while a third indicator based on the consumption patterns of hypothetical users showed a slight increase in 2003. The Commission found that, nevertheless, international comparisons indicate that mobile voice calls are still far less expensive on a per minute basis in the United States than in Western Europe.

Action by the Commission on September 9, 2004 by *Ninth Report* (FCC 04-216). Chairman Powell, Commissioners Abernathy and Martin, and Adelstein with Commissioner Copps concurring. Separate statements issued by Chairman Powell and Commissioner Copps.

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