

INTELEVENT 93

THE PERSONAL COMMUNICATIONS AGE:
Competing for the Customer

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Session I: A New Era of Regulation:
Redefining the Goals

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Federal Communications Commission

**FLEXIBLE REGULATORY POLICIES IN
A COMPETITIVE ENVIRONMENT**

Thank you for that generous introduction. My father would have liked it and my mother would have believed it. I am delighted to be here and see friends I have made at previous Intelevent meetings and to make new acquaintances from so many nations around the world. Special appreciation goes to Mr. Ronald Coleman and Mr. Werner Wolter who serve as Chairman and President respectively of Intelevent for their kindness and hospitality.

This is my seventh appearance at Intelevent, although it is my first, and last, as Chairman of the FCC. I will soon be relieved of that post upon the Senate's confirmation of President Clinton's appointee, Mr. Reed Hundt, whereupon I will happily resume my position as FCC Commissioner. But my 9-month tenure as FCC Chairman was the most hectic and productive period in my twenty years at the FCC.

The contentious item with the greatest current impact on the American public was the FCC implementation of the Cable Act. The landmark decision with the greatest future impact was the report and order allocating frequencies for PCS, a subject of great interest to this Intelevent gathering. The cable item was the most resource-intensive, complex, issue in recent history. It brought regulation to a previously unregulated monopoly that included 11,000 cable operators, 30,000 franchisers and approximately 58,000,000 subscribers.

Personal Communications Services (PCS) is a momentous development that will profoundly change the way people communicate in the United States and the world. It is estimated that this new industry could create 300,000 new jobs. PCS has enormous potential to improve efficiency in business and communications in our personal lives.

The FCC conducted the PCS deliberations through an open process in an earnest effort to balance all the conflicting interests. At that same FCC meeting, we adopted a Notice of Proposed Rulemaking for use of competitive bidding or auctions for awarding PCS and non-broadcast licenses. It is estimated that the FCC can raise billions of dollars over the next five years and this money will go directly to reducing the federal budget deficit.

We had many other important issues in that last meeting including depreciation rates for phone companies and further rules for cable.

One of the fringe benefits of being interim Chairman in a hectic period is that I haven't had time to grow old. In this regard, I'm grateful that my physiology has not yet caught up with my chronology. I'm in the final of the 3 stages of life -- youth, age and you look great! I feel great but at my age I don't buy too many green bananas. Anyway, I look forward to passing the gavel (and I hope not all the headaches) to the upcoming new Chairman, Reed Hundt, and resuming my role as Commissioner.

Now the subject of this conference is personal communications services. It is aptly named because we are truly in the dawn of the Personal Communications Age.

I have aptly been asked to speak to you about "Flexible Regulatory Policies in a Competitive Environment," because believe me, we have a competitive environment in the U.S., and every player wants in on PCS. Given the exponential growth of cellular services in the U.S., and around the world, PCS promises to bring a dazzling array of services to the consumers and a lucrative market opportunity for those awarded licenses. In our September 23rd decision, we allocated four times the spectrum originally allocated for cellular, so maybe we are learning defining new goals for "a new era."

Our newly adopted rules are designed to accommodate the different visions of PCS held by the many players in our competitive environment. Accommodating all potential players requires great flexibility. In addition, because much of the designated spectrum is already in use by existing licensees, a flexible policy is required to assure the least disruptive migration of existing users to clear up that spectrum for PCS. As you will see, our approach to PCS is a model of flexible regulation. Let me begin with the FCC's definition of PCS.

PCS encompasses a wide array of mobile communication services which will be able to provide portable and mobile voice, data, facsimile and perhaps even video transmit/receive services to individuals and businesses, regardless of where a subscriber may be located. Equipment proposed for PCS included small, lightweight wireless telephone handsets; computers that can communicate over the airwaves wherever they are located; and portable facsimile machines and other graphic devices.

It was our belief that in a time of rapidly changing technology and markets, the regulator should not handicap service provision by establishing artificially restrictive parameters. Today, service providers need flexibility from the regulator to best meet user needs and to respond to competitors. We intend for PCS to be user-driven, and therefore we tried to make our regulatory regime more market-oriented than in the past. In our consideration of PCS, we have avoided rigid, predetermined service definitions that may quickly become obsolete. Thus, PCS services may vary widely, with the common denominator being that the services will be person-to-person, rather than location-to-location.

The theme of our session today is "a new era of regulation: redefining the goals." Framed and hanging in every FCC office is a poster that lists the FCC's goals. (If you don't believe me, come visit us and see for yourself.) The first FCC goal listed is to encourage a competitive, innovative and excellent communications services for our public. Two other FCC goals are to provide effective and adaptive regulation and to promote efficiency and innovation in the allocation, licensing and use of spectrum. So for the FCC, the challenge is not in redefining our goals, but in implementing them effectively. When we first proposed a regulatory policy for these new PCS services, we established four fundamental objectives: broad availability of services; rapid deployment of services; a broad diversity of services; and robust competition between licensees. We believe our September decision advances us toward these goals.

The Commission authorized new PCS in the 2 GHz "emerging technologies" band. Specifically, we allocated a total of 160 MHz at 1850-1970, 2130-2150 and 2180-2200 MHz. 120 MHz was allocated for licensed PCS services, while 40 MHz was allocated for unlicensed PCS devices. The licensed allocation was channelized into two 30 MHz channel blocks, one 20 MHz channel block, and four 10 MHz channel blocks. The unlicensed allocation was channelized into two 20 MHz blocks, one for devices that will provide voice-like services and one for devices that will provide data-like services. There will be 51 Major Trading Areas and 492

Basic Trading Areas throughout the U.S. which will be PCS service areas. The 30 MHz channel blocks in the licensed allocation will be for Major Trading Areas, while the smaller channel blocks of 10 and 20 MHz will be for Basic Trading Areas. But licensees will generally be permitted to aggregate up to 40 MHz in any one service area and may serve more than one market, without restriction. Therefore, nation-wide service is possible, but not required.

Our intention is for the marketplace to determine the optimal size of spectrum blocks and service areas for the many different visions of PCS. Our allocation plan will permit providers interested in wide area, broadband "big PCS" to bid for larger spectrum blocks, but it will also allow the more specialized services envisioned by niche players to be accommodated in smaller blocks. We also are considering special opportunities for participation by small businesses, rural telephone companies and businesses owned by minorities and women.

With regard to eligibility for a PCS license, existing cellular licensees are permitted to compete for up to 40 MHz for PCS outside of their existing service areas or in any area where the cellular licensee serves less than 10 percent of the population of the PCS service area. Cellular licensees also will be permitted to compete for one of the 10 MHz PCS channels in their existing cellular service areas but will be restricted to only that single 10 MHz block. Local exchange carriers will be permitted to apply for PCS licenses on the same basis as other applicants, except insofar as they hold interest in cellular operations in the service area and then they are permitted to compete for a 10 MHz block. The spectrum allocation plan thereby balances our goal of creating a competitive market for wireless voice and data services with permitting participation by existing telecom providers, including wireless providers, so as to foster rapid deployment of services.

An additional indication of our flexible approach to PCS is that we are technology-neutral. In other words, we have not limited the transmission means of PCS -- we expect these services to be delivered terrestrially and via low-Earth orbit satellites (LEOs).

LEO-delivered PCS are inherently international services and therefore raise issues of international cooperation. The U.S. and the European Community (EC), together with Japan, have already begun to discuss international issues relating to PCS.

We have met annually since 1991 to discuss advanced mobile services -- or to be more precise, Future Advanced Mobile/Wireless Universal Systems -- or "FAMOUS." At last the Europeans have come up with a pronounceable acronym, but not without help from the Americans and the Japanese! These talks, held in one of our three capitals each May, have addressed such issues as advanced cellular, paging and trunking technologies, standards organizations and rechannelization of existing mobile spectrum. Through the FAMOUS trilateral, we have agreed to maximize international cooperation for interoperability on a global basis for mobile services, to continue to discuss international roaming options and to exchange pertinent information in each others' regulatory regime affecting future mobile services.

In the FCC's "little LEOs" proceeding -- those LEOs that will operate below 1 GHz and provide non-voice services -- we have allocated spectrum and have proposed a licensing regime that will permit multiple entrants, both currently and in the future, through spectrum-sharing arrangements. The Commission is likely to adopt service rules for little LEOs before the end of the year. We will also be looking to propose a spectrum allocation and service rules for "Big LEOs" -- those operating above 1 GHz for services including voice.

Our LEOs proceedings address the licensing of U.S. applicants for domestic services, but we hope that our actions will facilitate the international delivery of these services based on ITU regulations, Member's national requirements and carrier authorization by other administrations.

We believe it is unnecessary and imprudent to await global action on LEO mobile satellite issues prior to the promulgation of domestic regulations, because such a delay would needlessly hamper the efforts of domestic licensees to make available to the U.S. public these innovative services. Of course, we will continue to work with the global community to promote LEO services and to require our licensees to meet both their international obligations and any national requirements imposed by other licensing administrations.

Having allocated spectrum and established eligibility and service rules for terrestrial PCS, the next question is when will we award licenses. Recent legislation provides the FCC with authority to use competitive bidding - or auctions - in awarding mutually exclusive licenses for services to "subscribers for compensation." That is, under the new statute, we may require bidding for PCS licensees, but not for free over-the-air television. The law requires us to begin awarding PCS licenses

through bidding by May 1994. To implement the competitive bidding provisions, we adopted a Notice of Proposed Rulemaking ten days ago as well. The new law also requires us to define the regulatory status and treatment of commercial mobile services, and likewise establishes a statutory timeline for that proceeding. These interrelated issues make our PCS proceedings some of the most complex and important in the history of the Commission. And I don't know if I'm more honored or exhausted from having served at the helm during this momentous period.

Despite having achieved a certain venerable advancement in years, I can still become excited by the dawning of a new age -- the Personal Communications Age. I am proud to have played a part in its inception, having done what I could to ensure that regulatory policies adopted by the FCC will foster the rapid deployment of PCS services that are responsive to users' - not bureaucrats' - needs. PCS is a front-burner issue for us. The FCC will continue to expend great resources to ensure that we auction the spectrum and license the winners as soon as possible. We expect U.S. industry to be a global leader in PCS -- and not because the FCC has acted so rapidly, but because they will be permitted to be user-driven or regulator-driven. Thank you.

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