

Remarks by Commissioner James H. Quello

before the

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Thank you -- I'm glad to be here -- as I started to say last year (80) -- At my age I'm glad to be anywhere -- particularly anywhere my stalwart Chief of Staff, Brian Fontes is around to advise me.

Looking out at the audience -- some of you were still in high school 22 years ago. Of course, age is not a problem for me. I like to think that everything I did 22 years ago I can still do today -- well almost everything. You may have heard an updated version of my old saying -- "Anyone who says he can do at 80 what he could do at 40 -- wasn't leading too exciting a life at 40."

I now find solace in my senior "platinum" years with these homely facts:

1. Being over the hill is better than under a hill.
2. A "has been" is much better than a "never was."
3. Immortality is a real long shot, but someone has to establish the precedent.

Also, with age, I have developed a stronger ecumenical sense -- I accept all religions -- I don't want to blow an opportunity for purgatory or a long shot at heaven on a religious technicality.

It's sobering to realize that my first confirmation hearing occurred at the same time Henry Kissinger was confirmed as Secretary of State. Henry's teaching -- I'm still here learning. Presidents Nixon, Ford, Carter, Reagan and Bush have come and gone -- I have served under all of them -- I'm still here. The Soviet Empire has collapsed -- I'm still here. After 40 years, the Democrats lost the Congress -- I'm still here. Nobody told me this job could develop into a life sentence without parole.

I wanted to stay around long enough for them to name the office building after me. Now -- with all the cutbacks -- all I can hope for is a trailer.

The FCC has been a fascinating, contentious new career for me with all the mind-boggling advances in telecommunications. One of the most dramatic changes has been in the cellular and PCS industry -- your industry.

I'm the only BC Commissioner at the FCC, now I'm sure your thinking... he can't be that old: Well, BC stands for BEFORE CELLULAR! I've been member of the Commission since before cellular was a business. I supported you then, and, I continue to support you today.

Recently, I wrote a letter to Senator Larry Pressler, Chairman of the Senate Commerce Committee. As you know, Congress has indicated its determination to pass telecommunication legislation this session. I firmly believe that legislative reform is necessary to keep pace with changing telecommunication environment and the ever-changing telecommunication marketplace. Statutory remedies for the major issues of local exchange and interexchange competition may not be appropriate for wireless service providers -- providers who are neither a monopoly nor a bottleneck. We will all have to wait to see what the proposed legislation says. In my letter to Chairman Pressler, I mentioned...

It is important ... to distinguish between the wired and wireless segments of the telecommunications industry. Given the rapid growth of cellular, paging and other wireless networks and services, more attention than ever is needed to distinguish the competitive wireless industry as severable from the regulation overseeing the monopoly local wired telephone industry. Over the past decade, Congress and the Federal Communications Commission have worked diligently to create a robust, competitive wireless marketplace. It is important to guard against the instinctive application of traditional monopoly-based, regulatory-based tools to the wireless marketplace -- a marketplace which has been competitive from its inception and which will grow even more competitive with the introduction of numerous PCS licenses in each market.

I firmly believe that the goal of competition is to allow the marketplace, rather than government regulation, determine how best you serve the public. The Commission always retains the right to step in with regulation in the event of a marketplace failure.

In the early 1980s, the Commission embarked on a regulatory experiment with cellular and the experiment paid off. Commission introduced cellular service with the intent to create a competitive mobile telephone environment. The ultimate goal of competition is the replacement of FCC regulations with marketplace incentives and customer driven business decisions.

Through the years, my colleagues and I have continued to vote on issues allowing licensees to introduce technical improvements without first seeking Commission approval; to provide non-voice service -- again without seeking FCC approval, to introduce a license renewal procedure that we think assures against frivolous strike applications, -- the so-called greenmail that has plagued other licensees, and most recently, we wanted to allow PCS licenses to be open to all, including cellular licensees. You may remember that in the early stages of PCS, some advocated the exclusion of cellular licensees from the PCS service. The combination of Commission decisions has allowed you as an industry to accomplish in just over a decade what others took decades to accomplish. You are responding to consumer demands and service is becoming more affordable. The Commission has taken the notion of competition in the wireless world to new levels.

During my 20+ years at the Commission a consistent pattern in FCC actions has been to develop competitive wireless industries and the introduction of new services. I have seen some of the bloodiest wars waged at the FCC over your lifeblood -- spectrum. Obviously without spectrum there would be no wireless industry. These spectrum battles had victors and the victors were paging, cellular, SMR, mobile satellite service, PCS, interactive video and data services just to name a few. After the spectrum allocation process, the Commission must implement the license and service rules.

The Commission succeeded in creating what I call a structurally competitive wireless industry. You, as wireless licensees, have, created a competitive wireless market. As competition continues to develop, the need for regulatory oversight lessens. Policy makers at all levels must recognize the success of competition in meeting the needs of consumers, and they must practice restraint from regulating wireless in the same manner as monopolies. I am concerned that local governments will do to wireless providers what they have done to others -- extract money in the form of fees or taxes. The result of over regulation, unnecessary fees or other forms of payment ultimately drives up the cost of service to consumers, and perhaps, even harms the development of competition.

The Commission did not get to a structurally competitive wireless industry overnight. It took years. With cellular as a reference point, the duopoly licensing scheme was significant policy step in the right direction. Although not perfect competition by anyone's standards, a duopoly is still better than a monopoly. The Commission continued to allocate spectrum and change rules for other services eventually leading to cellular-like services. Fortunately, for consumers and for you, the Commission continued throughout the 1980's, and continues today to implement policies that foster increased competition. As an aside, it was under my term as Interim Chairman that the Commission voted to approve the largest spectrum allocation to wireless services -- PCS. That action is in itself a testament to the importance of wireless services, and the recognized role that wireless telecommunications will play in everyone's life as we move into the next century.

The Commission did not act alone in creating a competitive wireless industry. Congress in its 1982 amendments to the Communications Act allowed SMR operators to interconnect their dispatch service with the public switched network. The Commission modified SMR licensing rules and provided waivers of its rules to allow for true cellular-like service to evolve. With the development of technology, SMR rules were changed to allow for additional productive uses by providing mobile data services, another competitive service.

In the mid-1980s and earlier this decade, the International Telecommunications Union, as well as the FCC, provided for both international and domestic allocations of spectrum for mobile satellite services, both geostationary and low earth orbiting. This Spring American Mobile Satellite Corporation is planning to launch its satellite, and if all goes well will commence service later this year. In addition to geostationary mobile satellite service, the Commission is moving forward with low-earth mobile satellite services. These satellite services alone represent billions of dollars of new investment in wireless services.

Back on earth, the Commission allocated spectrum in the 220 MHz band for additional commercial wireless services. We allocated spectrum to interactive video and data services. We also will have to address the possible uses of 50 MHz of spectrum reallocated from NIT to the FCC.

In 1993, Congress, with the passage of the Omnibus Budget Reconciliation Act, created what I believe to be a national wireless telecommunication policy. Congress stated simply that like services should be regulated in like fashion. As a result of the law, the FCC created the Commercial Mobile Radio Service and chose to forbear from regulations typically imposed on common carriers. The Commission was required to implement a number of rulemakings to implement the statute. Some of these proceedings are under consideration and I cannot speak to the specifics. Specifically, the Commission is considering imposing equal access requirements on all cellular providers and possibly all CMRS providers. Additionally, we are considering a variety of interconnection proposals. While I cannot comment on these current proceeding, I can repeat the comment I made from the bench at the time the Commission voted to open these dockets. I said:

I believe that we should be asking how a competitive market for mobile communications will allow us to remove regulatory impediments rather than grafting regulatory stop-gap measures upon a family of services yet to be developed and offered by competitors to the public.

I note the comment made by my good friend and fellow Commissioner Rachelle Chong regarding the same agenda item. She said:

I believe it is important for the Commission carefully to consider the evolving nature of competition in commercial radio services, generally, prior to reaching any final decisions in this proceeding regarding equal access and interconnection issues with the respect to any CMRS provider.

Additionally, my friend Commissioner Barrett, who has common carrier expertise stated:

Rather, I believe the Commission's goal should be to develop a transition plan away from MFJ restrictions in the wireless area, and bring everyone into relative parity based on the evolution of full competition in the PCS market.

Although I do not presume to talk for my colleagues, I certainly agree with their comments. Without prejudging the equal access/interconnection proceeding, I believe the burden of proof is on those who would argue for imposing regulation on a competitive industry.

Let me just reiterate, I am proud of the efforts of the FCC over the years to create a competitive wireless industry. And, competition should replace the need for regulation.

I want to compliment you for taking the risk, making the investment (\$16 Billion), creating new jobs (over 200,000 now and the expectation of over 1 million in the next ten years), and competing in the marketplace to best serve consumers. You're doing a fantastic job.

In closing, I want you to know that your efforts through the CTIA Foundation for Wireless Telecommunications are duly noted. You are to be congratulated. Recently, at the beginning of the FCC's open agenda meeting, Chairman Hundt inaugurated the Mathline Project. These and other projects of the foundation serve the public, and you, so well. I know that many of you give back to your communities in so many ways. I am reminded of how rapidly cellular service was restored after southern Florida was savagely hit by a hurricane, or the important role wireless played after the California earthquake. Increasingly, all of us are growing more dependent on wireless telecommunications. Your future looks outstanding!

Thank you for this opportunity to speak with you today.

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