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

Washington, DC – The Federal Communications Commission has adopted its Sixth Annual Report on the state of competition in the wireless marketplace. The Sixth Report concludes that in the year 2000, the wireless industry continued to experience increased competition and innovation. This has meant lower prices and an increased diversity in service offerings for many consumers.

During the year 2000, the process of carriers building nationwide footprints continued to be a significant trend in the mobile telephony sector. A number of operators filled in gaps in coverage through mergers, acquisitions, and license swaps. In parallel with the process of footprint building, mobile phone operators continued to deploy their networks in an increasing number of markets, expanded their digital footprints and developed innovative pricing plans.

Specifics of the Sixth Report:

As with previous reports, the Sixth Report evaluates competition using a consumer-oriented view of commercial mobile radio services (CMRS) by focusing on specific product categories, without regard to their regulatory classification. This year's report designates two categories of wireless services: mobile telephony and mobile data. The Sixth Report makes the following observations about these categories:

Mobile Telephony: The mobile telephony sector experienced another year of strong growth and competitive development. In the twelve months ending December 2000, this sector generated over \$52.5 billion in revenues, increased subscribership from 86.0 million to 109.5 million, and produced a nationwide penetration rate of roughly 39 percent. Broadband PCS carriers and digital SMR providers continue to deploy their networks. To date, 259 million people, or almost 91 percent of the total U.S. population, have access to three or more different operators (cellular, broadband PCS, and/or digital SMR providers) offering mobile telephone service in the counties in which they live. Over 214 million people, or 75 percent of the U.S. population, live in areas with five or more mobile telephone operators competing to offer service. And 133 million people, or 47 percent of the population, can choose from at least six different mobile telephone operators.

The rise of digital technology in the mobile telephone sector continues. The combined effect of increasing digital and declining analog customers has been that, at the end of 2000, digital customers made up 62 percent of the industry total, up from 51 percent at the end of 1999 and 30 percent in 1998. Finally, in part because of growing competition in the marketplace, it appears that the average price of mobile telephone service has fallen substantially during the year since the FCC's Fifth Report on CMRS competition, continuing the trend of the last several years. For

example, according to the U.S. Department of Labor Bureau of Labor Statistics, the price of mobile telephone service declined by 12.3 percent during 2000.

Mobile Data: The Sixth Report divides current mobile data offerings into four categories: paging/messaging services; mobile telephone Internet access; data services offered over handheld personal digital assistant (PDA) devices with a mobile Internet connection; and mobile data offerings by dedicated data network operators. Since the release of the Fifth Report, the mobile data sector has continued its transition from paging/messaging to mobile Internet access services. Since late 1999, seven major mobile telephone operators have begun offering mobile data services, including “wireless web,” Short Messaging Service, and e-mail, on mobile telephone handsets. Four of those seven operators reported their mobile Internet usage at the end of 2000 and had a combined total of 2.5 million mobile Internet users. While the number of traditional one-way paging subscribers declined in 2000, the number of advanced messaging subscribers increased as paging/messaging carriers continued to roll out advanced messaging and Internet-based services. In addition, mobile Internet access is currently available on a variety of handheld PDA devices.

In addition to these current mobile data offerings, there are a number of mobile data services and technologies in development, including Wireless Application Protocol, location-based services, and m-commerce, which will likely play a more prominent role in the mobile data industry as it evolves. Many analysts expect that the development and deployment of advanced wireless or Third Generation (“3G”) services will increase the growth of mobile data services over the next several years. During 2000 and early 2001, several U.S. mobile telephone carriers announced their 3G rollout plans. At least six carriers expect to begin deploying network technologies during late 2001 and early 2002 that will allow for mobile Internet access speeds of up to 144 kbps.

Action by the Commission on June 20, 2001 by Sixth Report (FCC 01-192). Chairman Powell, Commissioners Tristani, Abernathy and Copps.

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