

Comments of Commissioner Deborah Taylor Tate
CTIA Wireless 2008
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Welcome to CTIA 2008. What a difference a year makes! We've gone from the iPhone phenomenon to the Google phone and Android. We've seen the 700 MHz band go from concept to completion. Dan Hesse is now a t.v. star. Just yesterday Richard Branson regaled you in a talk that included plans for a flight to Mars. And Chairman Martin discussed an item that will dismiss the Skype petition, presumably not an April fool's joke.

I'm delighted to kick off the second day of CTIA's policy track, with the focus today on policy and innovation, and I'm pleased that this track has participants from such a broad range of backgrounds, including industry, the investment community, and policymakers. If my dinner partners last night – representing AOL, CBS, Google and Microsoft – are any indication, this cross-pollination and openness between platform creators is a huge success and will benefit consumers.

As a former policymaker at the State level and now as a Commissioner at the Federal Communications Commission, I understand that if we get the policy wrong, we can seriously hinder investment and deter the development of new services. That's why the nine most feared words, according to President Ronald Reagan, are "I'm from the government and I'm here to help." I'm here to listen.

In order to get the policy right, we need to really understand your industry. That's what makes shows like this one so important and why I spend a lot of time outside the beltway. While the mortgage market and Wall Street falter, your industry is thriving, with data revenues up 86 percent and subscribership up 14 percent. Wireless providers generate annual industry revenues of well over \$100 billion and employ a quarter million people. Mobile phones even help other sectors, with over 70 percent of Fortune 500 companies providing mobile devices to their employees. Mobile phones also help individuals make more money. A recent MIT study found that placing mobile phones in the hands of the 45 million poorest households could help them increase their incomes, perhaps by as much as \$11 billion. And already there are over 240 million mobile subscribers in the U.S. who use over *two trillion* minutes every year.

Your industry is a true leader in innovation – in creating real value for real people. From telemedicine that brings healthcare wherever and whenever it is needed, to mobile banking that brings financial services to the most remote African villages for the first time; from the use of a cell phone in rural America to place an emergency call for help, to the use of a cell phone in rural China to get the best prices for commodities – innovations, so often led by the wireless sector, make us healthier, wealthier, safer, and more productive.

I'm particularly impressed with how wireless innovation creates valuable services in new, unexpected ways. Wireless technology as simple as a cell phone can encourage civic participation. For example, this past fall I was at the Global Forum 2007 in Venice, Italy and learned how voters in Switzerland can even vote by wireless device, sending a text message from their phone.

And of course, innovation is also creating new social phenomena. As many of you know, social networking is the virtual social world of today, with sites like MySpace attracting 40 billion page views a month, and Facebook pulling in 10 to 15 billion views. You've even developed a new language in this Digital Age – Google is both a noun and a verb – and new expressions. “Writing on someone's wall” used to mean you were committing an act of vandalism; now it's the popular way for the “I-Generation” to communicate. This technology – while many of us may not have embraced – also allows more than social interaction. My son uses Facebook, not email, to organize community service projects and set up student government meetings.

Innovation also creates business opportunities. Consider the simple ringtone, a market worth half a billion dollars annually, or ringback tones, unheard of a few years ago and now estimated to be worth \$200 million annually. Then there's streaming video and music downloads – via the Internet, IPTV, or mobile devices – which Insight Research estimates may generate as much as \$70 billion in revenue over the next six years.

On the policy front, the FCC should be focused on the overarching and critical communications goals for America – deploying broadband to all Americans, no matter where they choose to live, the DTV transition, and of course, the safety and security of our homeland. We should do this by ensuring that our rules do not hinder innovation. Sometimes we even succeed, usually when we are deregulating rather than regulating. We must enforce the laws passed by Congress, which has tasked the FCC with, among other things, protecting consumers and promoting “a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges” for all Americans. However, the best way to protect consumers and promote communications to all Americans is to make sure our policies foster a truly competitive market, with more choices rather than more regulations. Happily, a competitive market not only mitigates anti-competitive behavior, but also is the best way to promote innovation across services, across platforms, across industries, and across business plans.

I’m sure some of you are asking: What have we done to help? What has the FCC done for you lately? Just last month, the FCC completed an auction of the 700 MHz spectrum and raised more money for the U.S. Treasury than any auction in the Commission’s history, about \$19 billion. That’s more than the very successful AWS auction we held in 2006, and not counting the sale of those AWS licenses, more than all previous auctions combined. We’ve also made a significant portion of this very

valuable spectrum – 42 megahertz in all – available across small and medium-sized geographic service areas, helping small and rural providers. In fact, 75 parties won licenses to serve 305 rural markets in this latest auction, and a party other than the nationwide incumbents won a license in every market in this auction. Some wanted more small license areas, but I think this was a reasoned, balanced approach and that the market seemed to agree, except for the D block, which I will discuss in a moment.

This spectrum is being made available as part of the DTV Transition, which will take place on one day, February 17th of 2009. While most of you here know about the DTV Transition, I never miss an opportunity to ask for your assistance in helping the public – your subscribers – get educated on the transition. Now that many of you are in the video business, you have even more reason to help make the transition seamless. I appreciate those of you who have provided links to the website – www.dtv.gov – on your customers' monthly statements and encourage everyone to do so.

The DTV transition will make available over 100 megahertz of spectrum for consumers as well as public safety providers. Unfortunately, in the latest auction, the spectrum set aside for a public/private partnership did not receive a bid sufficient to meet the reserve price. Thus, the Commission must now consider its options. I welcome and need your input. The other 700 MHz blocks sold readily, however, and for consumers, this additional spectrum will mean exciting new technologies such as mobile video and additional platforms for broadband. For example, Qualcomm already

has started to use its licenses in a previously auctioned part of the 700 MHz band to offer a new mobile television service, MediaFLO.

In addition, we stay busy addressing other, less-glamorous issues on the policy front while you all are out developing the next big application. A year ago, we adopted an order to protect customer information, requiring, for example, the use of safeguards for unauthorized disclosure of data, and also requiring that carriers obtain opt-in consent before releasing data to their marketing partners. We even adopted rules for certain carriers to share pole attachments – that’s always a crowd-pleaser.

Looking ahead, one might venture a guess or two about policy battles, but I know better than to venture a guess about the market. And as a regulator, I recognize that we will not know – and cannot know – where the market will take us next. That’s precisely why I believe that, as we face new policy issues, we must apply a good dose of regulatory humility, and we should strive to ensure that our rules are technology neutral, rather than biased in favor of a specific technology, service, or company. Policymakers lack both the incentives and the information needed to pick market winners. Who would have thought that a major business would be built around 140-character messages that answer the question “What am I doing now?” Yet Twitter has been a hit. On public safety, I am certain we agree with the goals – insuring citizens can make E911 calls with useful information about caller location. We only differ as to the timing.

I am especially interested to see how the market develops as competition emerges across platforms. Wireline telecom companies are expanding into video with services like FiOS. And just last week, we learned of the possible venture between major cable companies – Comcast and Time Warner – and the mobile broadband providers Sprint and Clearwire, which could provide an exciting quadruple play. I just experienced Sprint's WiMax service, called XOHM, and look forward to hearing more about their business plans and partners as they develop.

Other providers are trying different approaches. For example, Verizon Wireless has a new Open Development Initiative, which will make it easier for consumers to choose the devices and applications they use on its network. I am intrigued by this effort by Verizon Wireless and can't wait to see how they proceed, especially now that they've just won licenses in the 700 MHz block that come with certain open access requirements.

AT&T has its own policies for allowing devices and applications on its network. It also has the world's hottest phone. Like a few million others, I was excited to see the iPhone introduced. I love to hear other firms talk about their "iPhone killers" – the next device that will do even more. DoCoMo, the largest mobile telecom provider in Japan, has been on the cutting edge of innovation, using smart devices for daily purchases, identification, banking, and even keyless entry. While the DoCoMo

network is sometimes called a “walled garden” by its critics, the firm often is a world leader in innovation.

I am following all these developments, and especially the issue of open access and “walled gardens,” with great interest. I believe that, for the most part, decisions as to how to manage one’s network are best left to people like engineers, rather than, for instance, regulators with law degrees. Don’t get me wrong. I am intrigued by the impressive combination of great firms in the Open Handset Alliance, from DoCoMo, to Sprint and T-Mobile, Intel and Qualcomm and Texas Instruments, Motorola and Samsung, Google and EBay, and others. But this FCC Commissioner should not decide – actually, no one in Washington should decide – that one particular business model must be applied by all carriers, for all customers. Rather, our rules should allow for competing business models, each trying to differentiate their product or service to meet the needs of the consumer. All the exciting ventures we see today should be described, as Professor Christopher Yoo refers to them, as “network diversity,” which is a different – and probably more appropriate – concept than “network neutrality.” Educating your customers may be your best offense and is the right thing to do. It’s not just good; it’s good for the bottom line!

To the extent the Commission decides to regulate business models, I worry about the possibility of unintended – and possibly negative – consequences. These unintended consequences may include putting up road blocks to valuable services and

businesses. They also may include not merely allowing but enabling activities that are illegal, such as piracy.

Most of you know I am from Nashville, TN – Music City USA. The cost of piracy to our musicians and other creators of content is huge. For the country as a whole, the U.S. Chamber of Commerce estimates the cost to the economy is \$12.5 billion. In this as with so many issues, the solution must be global and reach across all segments of our society. There is probably a viable – even a highly profitable – business model out there, one that provides creative content to consumers who value it and that, at the same time, provides compensation to those who develop this content.

Another challenge I am constantly looking at, as a policymaker and parent of three, is how new media over any platform will affect children. The good news is that the development of parental controls for television, wireless devices and gaming consoles over the past few years has been tremendous. I applaud those of you who have worked on company-specific and industry coalition solutions. However, as we see video begin to be provided over cell phones, iPods and other mobile devices, and as you market even to pre-school children, we must consider how to protect our children in the online world just as we do in the offline one.

Fortunately, a handful of phone companies have announced plans to offer parental controls that will allow parents to block video content on their child's phone. Disney is making available ratings of their content, no matter the device. AT&T's

“Smart Limits for Wireless” initiative helps parents protect their children from inappropriate calls, texts, and Internet content. We must work together – as parents, industry, and government leaders – to help parents learn how to protect their children from harmful content, and from those who use technology to prey upon our children. And let me be clear. I’m not talking about censorship. I’m talking about empowering parents and protecting children. And as the best entrepreneurs are seeing, there clearly is a market for family friendly services, with child-safe content.

There are other challenges ahead. Consumers in Southeast Asia receive 10 to 12 spam messages per day. One professor estimates that in three years we will need anti-virus protection on cell phones. The incredible uses for GPS, including child tracking, also illicit privacy concerns. Industry must address the risks and rewards.

I like to think of the risks and rewards in terms of Ps. Partnerships, involving cross-platform and even cross-sector collaborations that are being announced almost daily. Platform openness, promoting innovation and helping make more devices and services available to consumers. Personalization, which will provide true a la carte and true choice for consumers. And I recognize that there are some Ps that we must combat. Privacy, the information that provides this personalization also has risks of being breached, so we must ensure the safety and security of users. Piracy, which steals the fruits of some of our most creative minds. And predators, including those who are trying to get our financial information, but more importantly, child predators.

Like the world's great inventors – Alexander Graham Bell, Guglielmo Marconi – you are the true innovators in this highly mobile, content-rich age. I pledge to work to maintain a regulatory environment that rewards your entrepreneurial efforts. I applaud those efforts that are creating valuable services, and again encourage you not to miss the family friendly market sector, and to work to protect our children. I'll turn it back to our moderators, and I look forward to walking the floor today to see your vital contributions, enabling America and Americans to be safer, stronger, and more competitive in this mobile global environment.