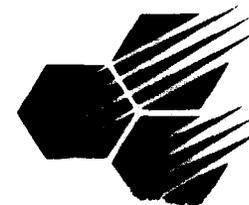


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STATE REGULATION = ANTI-COMPETITION

- THWARTS RATE COMPETITION
- \$250 MILLION LOST SAVINGS IN CA
- MARKET COMPETITION vs. LAWYERS COMPETITION



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	January 1994	November 1994	Percent Change
Boston	Regulated \$79.91	Unregulated \$69.99	-12.41%
Hartford	Regulated \$93.31	Regulated \$90.75	-2.74%

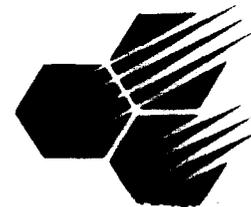
Source: Dr. Jerry Hausman, MIT



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CALIFORNIA'S RATE REGULATIONS HARM CONSUMERS

- Atlantic Cellular's customers in New Hampshire, New York, and Vermont pay \$15 per month for unlimited nationwide calling.
 - * Atlantic Cellular's customers in California do not receive this benefit as result of the California PUC's regulation of intrastate cellular rates.
- Outside of California, Atlantic Cellular's customers can buy a cellular telephone for \$50.
 - * Atlantic Cellular's customers in California must pay \$200 for the same telephone as a result of the California PUC's regulation of intrastate cellular rates.



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San Francisco Chronicle

NORTHERN CALIFORNIA'S LARGEST NEWSPAPER

WEDNESDAY, DECEMBER 7, 1994

415.777.1111 36 CENTS

How State Cellular Rule Has Failed

By Peter Swanson
Chronicle Staff Writer

California is the only state where consumers have the option of buying cellular phones separately from cellular service.

In other states, phones and services are typically bundled and in many cases, consumers can get phones for little or nothing if they sign up for a long-term service contract.

In California, consumers may choose to buy hardware and service at the same time, but the equipment vendor is prohibited from discounting the phone more than 10 percent or \$20 below the wholesale price, whichever is higher.

The unique California regulation was supposed to spur competition and reduce rates for both phones and phone service. The state wanted to prevent service providers from using their near-monopoly power and profits to subsidize phones and undercut smaller phone retailers.

But it hasn't worked out that way.

Ben Kahreroff, general manager in California for GTE Mobile, one of the Bay Area's two cellular service providers, estimates that local rates are about 10 percent to 15 percent higher than in most of the 50 other markets served by his company.

"Except for an occasional promotional pricing plan for new customers, since 1994

basic monthly access and usage charges in California remain virtually unchanged and are among the highest in the nation," said Assemblywoman Gwen Moore, D-Los Angeles.

Equipment prices are higher, too. The most popular Motorola flip-phone model that sells for \$100 in the Bay Area might cost nothing in Reno or Chicago so long as consumers sign a one-year local service contract.

Doug Dede, a supervisor with the Califor-

The idea was to make cellular service companies compete for customers by offering lower rates

nia Public Utilities Commission, said the idea behind the state's "anti-bundling" policy was to make cellular service providers compete for customers by offering lower rates, not cheaper phones.

But the strategy hasn't worked in most markets for two main reasons.

First, cellular service companies pay hefty commissions — \$100 or more per customer — to equipment dealers who sign up

consumers for their service. The PUC chose not to regulate such commissions.

In addition, the government has done a poor job in picking its regulators, especially in Southern California. Dede said some states have required consumers to buy service before they buy phones and a few even hand out used phones to those who sign up for new service. Both practices are against the law in California, but regulators have a tough time because their powers extend to service companies, but not retailers.

Some observers including Moore, chair of the Assembly Utilities and Commerce Committee, believe the problem is not state regulations but the fact that the Federal Communications Commission limits service competition by allowing no more than two cellular carriers in each market.

The California PUC is re-examining the way it oversees the multi-billion-dollar cellular phone business. Some industry sources expect the PUC will alter its anti-bundling stance in the next few weeks, which could lead to lower equipment prices.

Bill Murphy, owner of the On Line cellular phone store in San Francisco, wouldn't be surprised to see the packaging of equipment and service contracts within a year. "It could make life difficult for any small dealer," he said.



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ZONING = ANTI-COMPETITIVE

- 15,000 CELLULAR TOWERS
- 15,000 MORE CELLULAR TOWERS
- 100,000 PCS TOWERS



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ZONING = ANTI-COMPETITIVE

- FCC PROMOTING COMPETITION
- 38,000 GOVERNMENTS OBSTRUCT



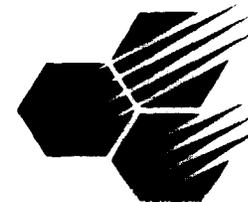
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PREEMPTION OF STATE AND LOCAL REGULATION: TOWER SITING

Section 332 of the Communications Act, as amended, supports federal preemption of state and local tower site regulations:

- Section 332 expressly prohibits state and local governments from regulating entry into mobile services.
- Congress intended to prohibit state entry barriers, whether direct or indirect, which have the purpose or effect of barring commercial mobile radio services.

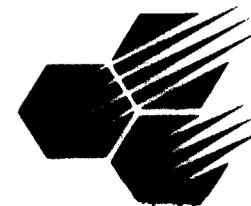
Any state or local regulations that has the purpose or effect of barring entry -- including zoning of tower sites -- must be preempted.



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ZONING = ANTI-COMPETITIVE

- COLLIER COUNTY, FL
- 18 MONTHS TO LOCATE NEXT TO DUMP!
- 11 LOCAL AGENCIES
- DELAYED SERVICES 18 MONTHS



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ZONING = PREPOSTEROUS CLAIMS

Cellular Phones

West Hollywood, Cal., denies transmission post

The West Hollywood, California, denied a request by L.A. Cellular in early October for a proposed new transmission post after local residents complained of possible health hazards.

This marked the second time in a matter of months that West Hollywood has denied requests for transmission facilities by cellular phone companies on health grounds.

Last June the town denied a request by Pac Tel Cellular to upgrade two transmission sites.

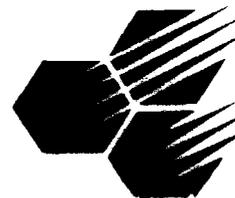
Opposition to the cellular transmission sites is being led by Mary Worley of West Hollywood who contends that radiation from cellular antennas caused cancer that killed

one of her pet dogs and caused three other pets to become ill.

The phone companies insisted their low-power operations are safe and said the evidence presented by Worley was slanted and did not apply to them.

Worley is a retired medical aide who presented her arguments with the help of other lay-person neighbors. The City Council voted against allowing the new transmission post, although a phone company consultant with a Ph.D. testified that it would not pose any health hazard.

Source: EMF Litigation News, 11/93



M.J. RICHTER

From Fancy New Phones, Big Local Revenue Possibilities

If city governments get their acts together now, they can ensure that an innovative communications service soon to appear throughout the country will do more than offer telephone service to people on the run. It also can make hefty annual contributions to municipal treasuries.

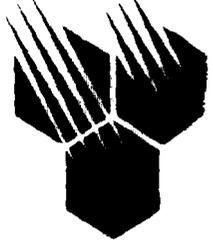
GOVERNING May 1994



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COMPETITION REQUIRES...

- **NATIONAL POLICY**
- **FOR NATIONAL TELECOMMUNICATIONS SERVICE**



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INTERCONNECTION

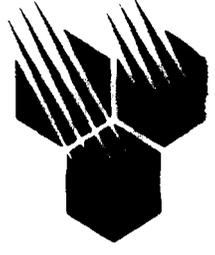
- GOOD - ALL NETWORKS INTERCONNECT VIA LEC
- UNNECESSARY - CMRS-TO-CMRS
- BAD - PIECEMEAL UNBUNDLING
- MIS-NAMED “INTERCONNECTION”



CTIA

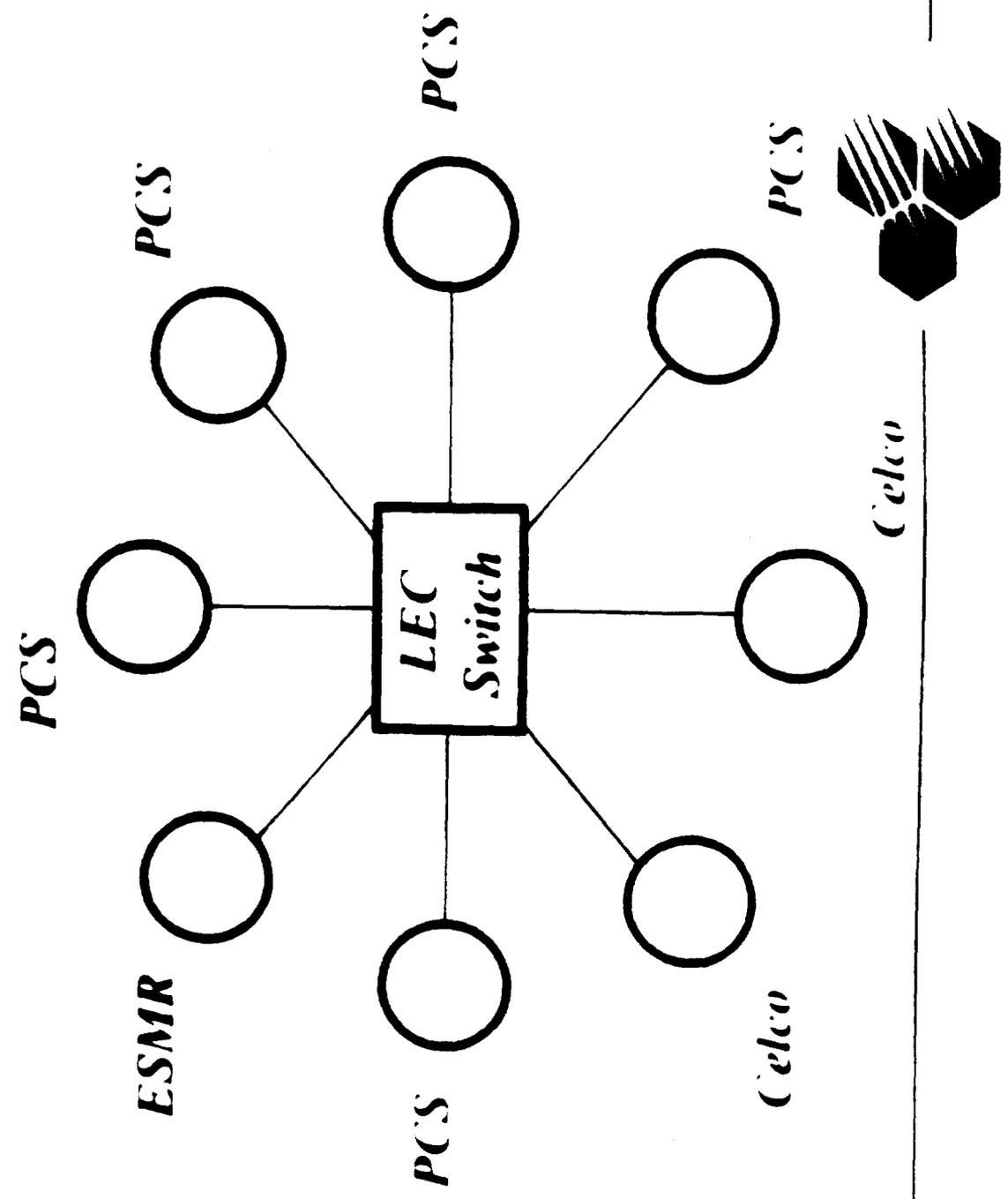
GOOD INTERCONNECTION

- ANY USER CAN ACCESS ANOTHER USER
- “NETWORK OF NETWORKS”



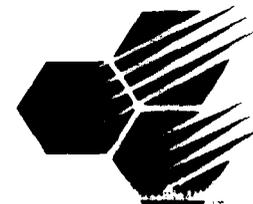
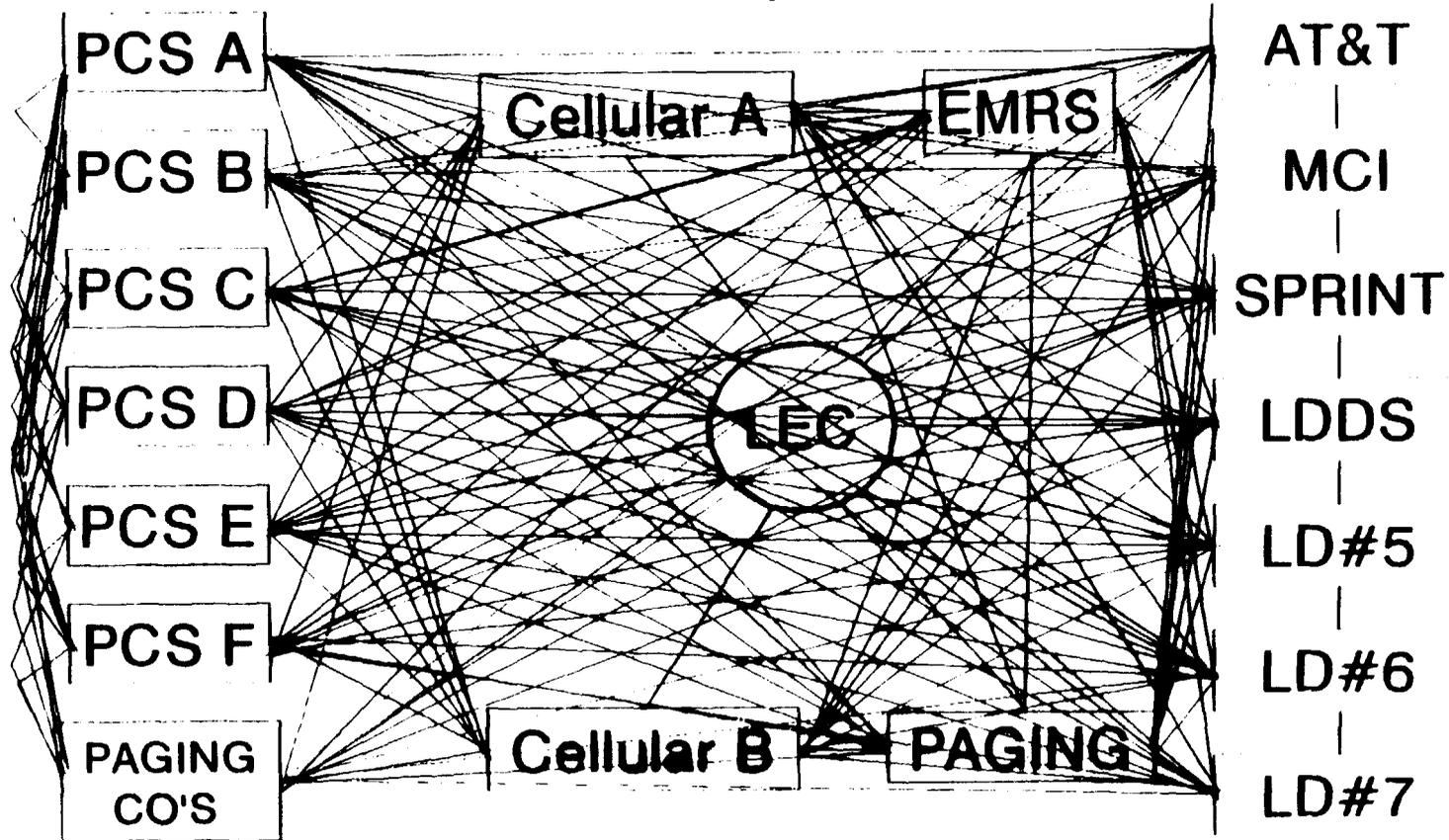
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LEC-Wireless Interconnection Model



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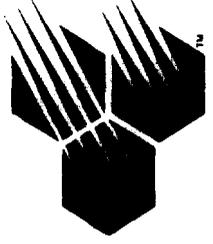
FULL CARRIER INTERCONNECTION REGULATION The Proposed Law



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BAD INTERCONNECTION

- RIDING ON BACK OF GOOD NAME OF
“INTERCONNECTION”
- STOP COMPETITIVE INVESTMENT



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UNBUNDLED INTERCONNECTION

- TECHNICALY INFEASIBLE IN CMRS
 - CMRS REQUIRES CONSTANT SEAMLESS COMMUNICATION BETWEEN SWITCHES-ANTENNA-CUSTOMER
- A REGULATORY/ADMINISTRATIVE NIGHTMARE (REQUIRES USOA AND STAFF)



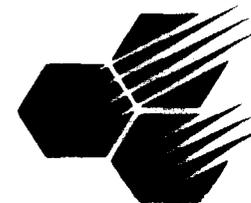
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"MIS-NAMED" INTERCONNECTION: ROAMING AND RESALE

Primary Concern:

- Interoperability between wireless networks, or
- As expressed by American Personal Communications (APC):

As PCS providers begin building out their systems, they will be able to offer competitive service only if subscribers have access to nationwide roaming capabilities on cellular systems.



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CELLULAR RESALE OBLIGATION

- Cellular carriers have always been subject to a resale obligation.
- A PCS provider could offer wide-area service while it completes network construction.
- Outside of their existing territories, cellular carriers will be PCS providers. Thus, the availability of cellular resale is just as important to them.



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PCS-CELLULAR ROAMING WILL OCCUR THROUGH BUSINESS ARRANGEMENTS AND IS-41 CONNECTION

- PCS-cellular roaming is predicated on the use of dual-band (800-900 MHz and 2 GHz) telephones.
- Roaming between PCS and cellular carriers is made possible through business arrangements.
- Both carriers must be connected to an SS7 network and adhere to the IS-41 protocol.
- Outside of their existing territories, cellular carriers will be PCS providers. Thus, the ability to roam on cellular networks is just as important to them.



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PROVEN PARADIGM

- CREATE COMPETITIVE MARKET
- ALLOW RUTHLESSNESS OF COMPETITION
- ENJOY THE REWARDS



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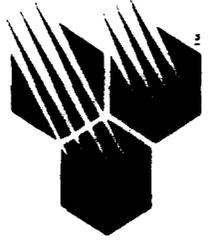
WIRELESS COMPETITION

- CELLULAR • PCS
- ESMR • SATELLITE



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**WARNING: PROPOSALS BEING ADVANCED TO
UNDO THE COMPETITIVE MARKET**



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USING GOVERNMENT TO THWART COMPETITION

- SO-CALLED “EQUAL ACCESS”
- MFJ CONCEPT IMPOSED ON
COMPETITIVE ENVIRONMENT



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“EQUAL” ACCESS DEFINED

- LOCAL CARRIER IS ONLY A GATEWAY FOR LONG DISTANCE CARRIER
- REMOVES A LONG DISTANCE COMPETITOR

