

Analysis - Open Access Comparisons

By Keith Mallinson Sunday, September 30, 2007

Transatlantic wireless comparisons are fashionable: Experts from both sides of the pond are weighing in on the open access debate with some misunderstandings, over-simplifications and mischaracterizations.

Google and others have persuaded the FCC to force licensees for 22 MHz nationwide in the 700 MHz band auction to connect any device and any application to their networks. Verizon submits that FCC rules are “arbitrary, capricious, unsupported by substantial evidence and otherwise contrary to law.” The operator refutes claims that the European market is more open than the United States.

Quite so, Europe was never more open than the United States, with limited differences remaining on restrictions through locking on subsidized phones. There also is similar choice in services and handsets with U.S. carrier consolidation and now that most of CDMA’s goodies – thanks to U.S., Korean and Japanese developments – are available through W-CDMA. There are, however, still some significant differences:

Cost, MOU and Penetration: Europeans rarely see local rates and prices per minute, including high mobile call termination charges that cross-subsidize from fixed to mobile networks, which are triple those in the United States. This constrains average minutes of use (MOU) to one-fifth that of the United States and results in a minimum running cost that is much lower in Europe. O2 lets me maintain my prepaid U.K. service, with unlimited free incoming calls (at the expense of the originating caller), for just a couple of \$20 top-up visits each year. Multiple SIM ownership and lax expiration terms inflate Europe’s headline penetration numbers by 35% over the United States.



Roaming: Europe is not one nation. Europeans never paid national roaming charges, and international roaming is at least as expensive for American subscribers as it is for Europeans. Many border-hoppers like me avoid these surcharges by buying foreign SIMs.

Some transatlantic commentators would like to impose Europe’s GSM-style central planning on the United States. The GSM project benefited Europe, but this dirigisme failed with other technologies including D-MAC for satellite TV in 1980s and with Euro-ISDN’s single-digit penetration in the 1990s. It will reduce competition, consumer choice and stifle innovation with Europe’s requirement for DVB-H in mobile broadcasting. The European market will now function properly without intervention.

GSM fixed several major problems that no longer exist in Europe and never existed in the United States. GSM helped fulfill the vision for a single market by 1992, enshrined in the 1986 Single European Act. Competition, terminal portability and international roaming were key political and economic objectives that were not being achieved with European analog. Europe was a patchwork of national monopolies with incompatible technologies. Exceptionally, the United Kingdom had two operators. Carrier competition was required with GSM. Germany and France had low penetration using analog technologies that achieved minimal exports. In contrast, the Scandinavians flourished with NMT, as did the United Kingdom and some other nations with TACS. GSM enabled German and French carriers and manufacturers to catch up, while Ericsson and Nokia could expand sales across Europe.

Regulation should only be a last resort and temporary measure for market failure. The U.S. wireless market is not dysfunctional; it got to where it is with open competition among digital technologies and carriers. It’s vibrant, fast-moving, diverse (good) and successful with 850 average MOUs, nationwide 3G and 75% population penetration. In contrast to Europe in the late 1980s, new technologies and operators are not blocked from U.S. market entry by

monopoly operators on a geographically fragmented or sub-scale basis.

Nobody is stopping Google, Xohm and others from pursuing their intended open and Internet-oriented strategies, but there is no reason to force others to follow suit.

Champions for a wireless open access “third pipe” are cunningly trying to raise the bar. I already can access virtually anything with my notebook PC and 3G air card that I can over my existing wireline “dumb pipes.” That’s pretty open, it’s as fast as DSL and I can do it anywhere.

A monopoly standard and mandatory open access create a different and conflicting requirement. How can you connect any device or any application if these have to conform to a single standard? Carterfone imposed a simple RJ-11-based standard for a basic voice phone with pulse and Touch Tone dialing.

What unifying standard should be selected for mobile Internet appliances including many different radio frequencies, protocols, a slew of applications using location, presence and multiple form factors – MSFT, Mac, Linux, Symbian, BREW, something new from the WiMAX Forum? And who should pick the winner? My vote is for the consumer.

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