MOBILE MOMENTUM

How Consumer-Driven Competition Shapes & Defines the Modern U.S. Wireless Landscape

MobileFuture
Wireless. Innovation. Freedom.

Mobile Future is a broad-based coalition of businesses, non-profit organizations and individuals interested in and dedicated to advocating for an environment in which innovations in wireless technology and services are enabled and encouraged. Our mission is to educate the public and key decision makers on innovations in the wireless industry that have transformed the way Americans work and play and to advocate continued investment in wireless technologies.

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> *One of the greatest successes in this industry in the last twenty years [is] the growth of wireless services.*
>
> — Austin Schlick, FCC General Counsel, May 6, 2010

Many of us who watch the wireless sector in the United States are familiar with the interplay of competition, consumer choice and light regulation that have long driven our mobile innovation economy. The vast public benefits of this consumer-driven approach are readily apparent today. Our nation is home to the world's lowest per-minute voice prices, largest 3G customer base and most diverse applications and device markets.

As a result of this compelling value proposition, mobile devices are ubiquitous in modern American life—and fast evolving into nimble, connected computers in the palms of our hands. These partners to our daily lives are endlessly customizable—from guiding a blind person down the street with voice-activated directions to revolutionizing business processes for companies to helping someone with a chronic illness adhere to their health regimen.

Choice defines every corner of the modern mobile marketplace. Two-thirds of Americans can choose from among five or more wireless providers and a broad array of service choices—from family plans to pre- and post-paid no contract options that offer consumers a flat monthly bill to "all in" voice, data and texting for as little as $40 a month.[1] And, the millions of Americans with wireless voice service can add mobile Internet for as little as $15 a month.[2]

Americans are taking full advantage of these expanding choices. We are the world's most communicative mobile population, talking for more than 6 billion minutes each day on our wireless devices. And, we still have enough left to say—and get such a great deal on mobile—that we also send over 5 billion daily texts.[3] Choices of plans and added consumer enticements, such as unlimited nights and weekends, calling circles and other added benefits, have caused consumer value to soar as people do far more with their mobile phones—from texting to video to surfing the Internet—all for about the same price as basic wireless service in the early 1990s.

Yes, mobile competition thrives in the diverse carrier choices available to U.S. consumers. But that's just the beginning of the competition story. A quick glimpse at the flurry of recent commercial announcements more than proves the point. Wal-Mart, in partnership with T-Mobile, is now offering $45/month unlimited voice and texting—no contract required. Verizon and Google have gone public with ambitions to challenge AT&T and Apple. RIM and Dell, among others, also are in hot pursuit. At least 10 online applications stores have emerged to support the boom in smartphones and other next-generation devices. Cox is becoming the first U.S. cable company to directly offer wireless services. Regional players like Leap Wireless and MetroPCS are thriving. T-Mobile is vowing to deliver the fastest available data speeds across its 3G footprint by year's end. Sprint released its Evo 4G, the first device to run on its much-heralded 4G network. Also, the FCC's approval of the Harbinger-Skyterra merger and Clearwire's rollout of WiMax service promises a fifth and sixth national wireless player.

Also thanks to competition, the U.S. is a global leader in mobile innovation due to the sophistication of its wireless networks and the hundreds of billions of dollars in private investment that flow into this essential next-generation infrastructure each year. In fact, cumulative capital investment rose 8% from June 2009 to June 2010,[4] despite the current recession. This critical progress must continue given the FCC's most recent broadband report, which indicates that wireless high-speed Internet adoption is expanding twice as fast as wired connections, as consumers make choices involving value and convenience in their lives.

The wireless sector is a critical engine of U.S. job creation and economic growth, supporting 2.4 million direct and indirect American jobs in 2009 and adding an estimated $100 billion to the U.S. GDP each year.[5] It also is a driving impetus for profound innovation throughout our society—from health care to education, energy efficiency to participation in our government.

With all of this progress, wireless connectivity is moving well beyond those ever-present devices in our pockets. Mobility is making the leap to home appliances, doctors' medical tablets, community power grids and more. In the next wave of computing innovation throughout our society and economy, virtually everything will become connected—and mobile. President Obama calls wireless "the next transformation in information technology." His recent Executive Order announcing his Administration's intent to substantially increase the amount of spectrum available to meet consumers' fast-growing mobile needs is essential to achieving the ambitious goals set forth in the National Broadband Plan.

U.S. wireless policy is at a defining crossroads. Some observe all the progress to date and say it is time for more restrictive regulation. Others, including our coalition, look at this same progress and hope to build on the proven success of consumer-guided innovation and light-touch regulation. This approach has been embraced throughout Democratic and Republican administrations, and it has delivered profound progress to virtually every aspect of our society.

A reversal of course—particularly in the absence of credible signs that consumer choice and unfettered innovation have failed us—is an option policymakers should not consider lightly. The FCC's latest review of the wireless sector did not conclude that the sector is effectively competitive. We could not disagree more. In making its determination, the FCC stated that it was not in pursuit of a "textbook model of perfect competition," but rather "superior outcomes."[6] We think they are evident in abundance throughout our mobile innovation economy and the tremendous benefits and value American consumers reap from it every day.

This paper offers an overview of the many ways competition and choice define and drive mobile innovation throughout the United States and makes the case for smart, nimble and constructive 21st century policies. It is our hope that it can help illuminate a constructive path forward—one rooted in a common understanding of what it will take to continue this essential mobile momentum that, today, makes our nation the envy of a connected, wireless world.

Jonathan Spalter, Chairman

At key moments throughout its evolution, the U.S. mobile marketplace has been carefully nurtured through policies that allow consumer choices and market competition to shape and direct mobile innovation. Thanks to this pro-innovation framework, rooted largely in Congress' bipartisan decision in 1993 to embrace a marketplace governed primarily by consumer choices, the U.S. now has the most competitive mobile marketplace on earth. From the rapid innovation and intense competition underway in a hot device market to emerging mobile content and booming applications, to choices among both providers and service plans, competition defines every corner of the mobile ecosystem. Here are 10 key benchmarks:

10 KEY BENCHMARKS

MOST DIVERSE CARRIER CHOICES

The U.S. has the lowest market concentration of any leading OECD nation.[7] Today, there are more than 160 facilities-based U.S. wireless providers,[8] including at least four nationwide operators and seven providers, each serving more than four million subscribers.[9]

LOWEST MOBILE VOICE PRICES

U.S. consumers enjoy the lowest wireless per-minute voice prices in the world.[10]

ADOPTION NEARING 100%

91% of Americans have a mobile device and virtually all of us keep them within arm's reach 24 hours a day.[11]

MOST ROBUST NETWORK INVESTMENT

Despite a weak economy and mounting regulatory uncertainty, wireless providers have invested on average $20 billion annually in U.S. mobile infrastructure since 2006.[12]

RAPIDLY RISING MOBILE CONNECTIVITY

Mobile data traffic passed wireless voice traffic in December of last year—and is expected to grow at 100x the rate of wireless voice traffic over the next 10 years.[13]

ACCELERATING MOBILE INNOVATION

Wireless is leaping beyond "phones" to medical tablets, smart appliances, and an estimated 10 billion connected devices around the world by 2020, powering the next great wave in global computing innovation.[14]

MOST COMPETITIVE DEVICE MARKET

In 2008 and 2009, more than 65 smartphones were introduced to U.S. consumers.[15]

LARGEST APPS MARKET

U.S. consumers can access more than 300,000 mobile apps[16] from at least ten stores.

CUSTOMER-RESPONSIVE MARKETPLACE

From no-risk trial periods to coverage maps to pro-rated early termination fees to features and services to track and manage usage, wireless providers are continually responding to consumer demand in the absence of prescriptive regulations.

POWERFUL ENGINE OF JOB CREATION AND GROWTH

Mobile innovation supports 2.4 million U.S. jobs and contributes $100 billion annually to U.S. GDP.[17]

Promoting the progress of our mobile innovation economy requires sound policy that continues to emphasize innovation, investment and competition. As American society and our economy prepare for the next wave of explosive innovation in mobile and wireless technologies, now is the time to reflect carefully on what got us here: a vigilant, light-touch regulatory approach, profound private sector risk-taking and investment as well as aggressive innovation by an increasingly diverse mobile ecosystem—all guided by the enthusiasm, input and demand of consumers.

THE STORY SO FAR

MOST DIVERSE CARRIER CHOICES

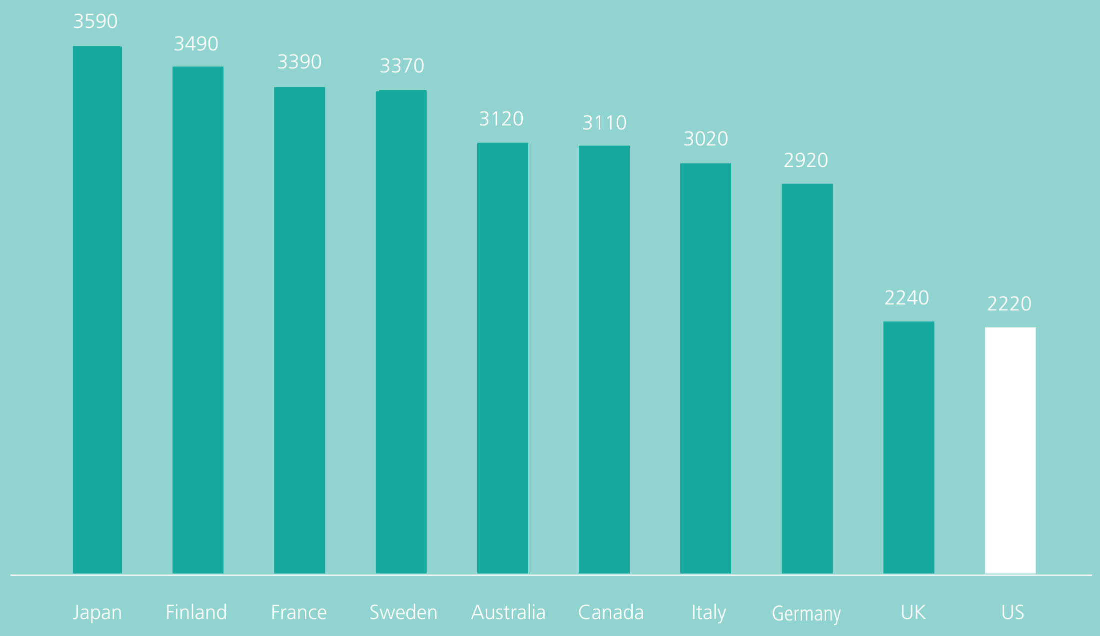
From the early days of wireless, it has been the explicit intention of policymakers—both in Congress and at the FCC—that consumer choices direct the evolution of the providers, products and service plans we all enjoy today. When wireless technologies were first emerging, many policymakers were skeptical of its potential, but the FCC decided there should be at least two competing providers. In the late 1980s, the Commission allowed a third—Fleetcall (later Nextel)—to interconnect. In the early 1990s, Congressman Ed Markey (D-MA) led a bipartisan movement in Congress to direct the FCC to encourage competition through spectrum auctions. As a result, in the mid-1990s, the FCC conducted a nationwide spectrum auction that granted six additional licenses per market. Congress' bipartisan precedent catalyzed broad investment, innovation and growth that continues to this day and is fueled by intensive competition.

The results? 96% of the U.S. population has a choice of three or more wireless providers, 91% can choose from four or more, and two-thirds of Americans can choose from among five or more providers. Among the 26 countries ranked by the Organization for Economic Co-operation and Development (OECD), only the U.S. and Canada offer more than five carrier choices. In fact, nearly half of the countries offer three or fewer competitors. No surprise then that the U.S. has the lowest market concentration of any leading OECD nation.[18] In fact, in the U.S. today, no less than seven carriers each serve more than four million customers.[19]

> *"The U.S. marketplace is once again the most competitive in the developed world.*[20]
>
> — Merrill Lynch

LESS MARKET CONCENTRATION MEANS MORE CHOICES FOR U.S. CONSUMERS[21]

Source: Bank of America Merrill Lynch Research, April 2010



Note: The Herfindahl-Hirschman Index (HHI) is one indicator of the amount of concentration in a marketplace. A lower number indicates more competition in the market.

LOWEST MOBILE VOICE PRICES

U.S. wireless customers have had stability in their wireless plans over the past 10 years. The average monthly wireless bill in the first half of this year was under $48, down 4.2% from the previous year. This is the lowest average price since 2002.[22]

However, a customer's average monthly bill hardly offers a complete picture of value. For example, it doesn't take into account how much more consumers do with their mobile devices today. In 2000, cell phones enabled talking without a telephone cord. Today's connected, on-the-go consumers text, email, instant message and use the Internet from their increasingly sophisticated mobile devices—all for about the same price as basic wireless service in the early 1990s.

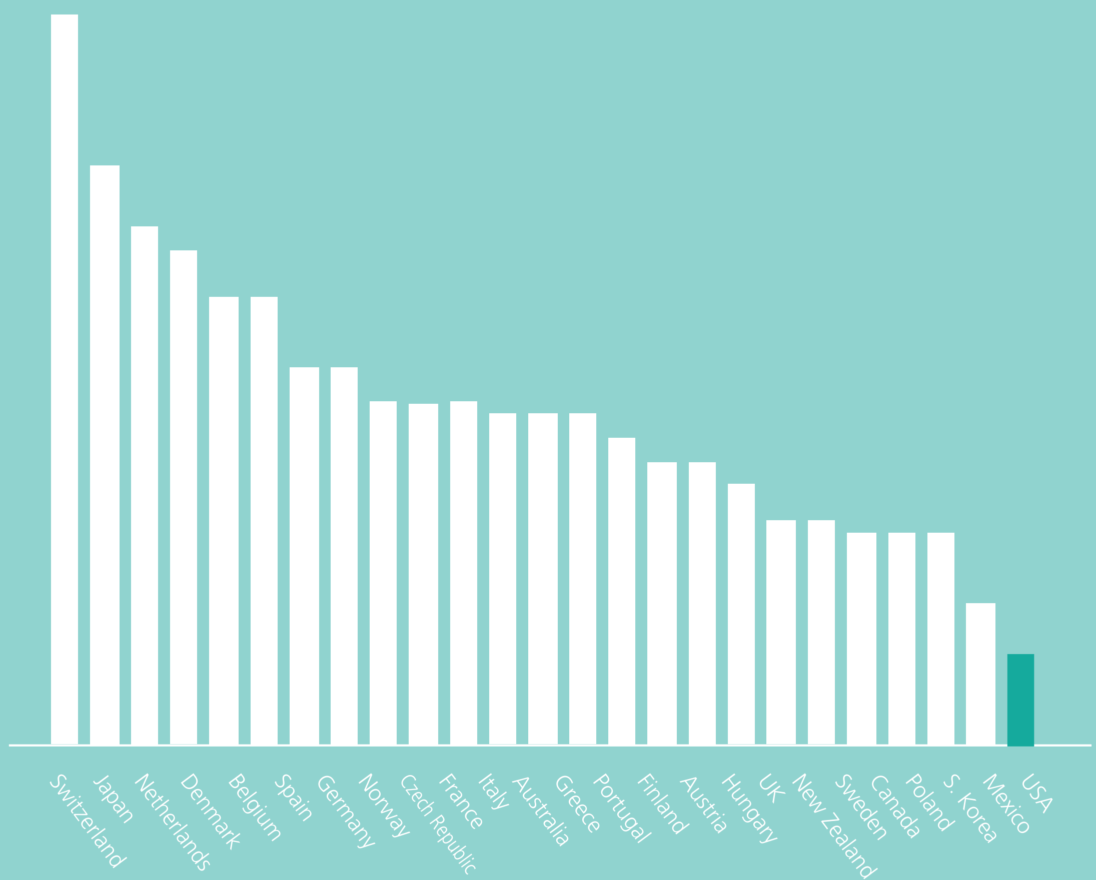
American consumers have a broad array of service plans from which to choose to suit their diverse mobile habits—ranging from family plans and calling circles to pre-paid and post-paid, no-contract options to unlimited voice, data and texting for as little as $40 a month.[23] U.S. consumers clearly appreciate the bargain. We are the most communicative mobile population in the world, talking for more than 6 billion minutes each day and still finding time to send over 5 billion daily texts.[24]

How do we feel about this "bang for our buck"? According to the Federal Communications Commission, 92% of American cell phone users are satisfied with their wireless service.

> "*Consumers are generally getting more wireless services (such as more voice minutes of use) for lower costs than they were 10 years ago.*
>
> — U.S. Government Accountability Office

THE U.S. LEADS IN AFFORDABLE WIRELESS SERVICE (AVERAGE REVENUE PER VOICE MINUTE, YE 2009)

Source: Bank of America Merrill Lynch Research, April 2010



ADOPTION NEARING 100%

The Pew Internet and American Life Project's new Mobile Access in 2010 report finds that across ages and demographics, Americans are embracing the value and innovation they see in wireless today. In fact, usage of connected devices and applications continues to grow at an unabated and staggering pace despite the current recession.

A compelling price point, discussed in previous chapters of this report, is one clear cornerstone of the value proposition. But so is the convenient and growing application of these ever-more-innovative devices in our daily lives. This progress was spurred on by a highly competitive market and a hands-off regulatory climate that has encouraged investment and the seemingly insatiable appetite of consumers for mobile connectivity.

Wireless has seen profound adoption since its inception in the early 1980s. Consider this: in 1985 there were just over 340,000 wireless connections in the United States. Today, there are nearly 300 million mobile subscribers.

To put this into perspective, today there are about 285 million television sets in use in the U.S.[25] and about 261 million personal computers.[26]

How connected are we to our mobile devices? Virtually all U.S. mobile consumers keep their device within arm's reach 24 hours a day.[27]

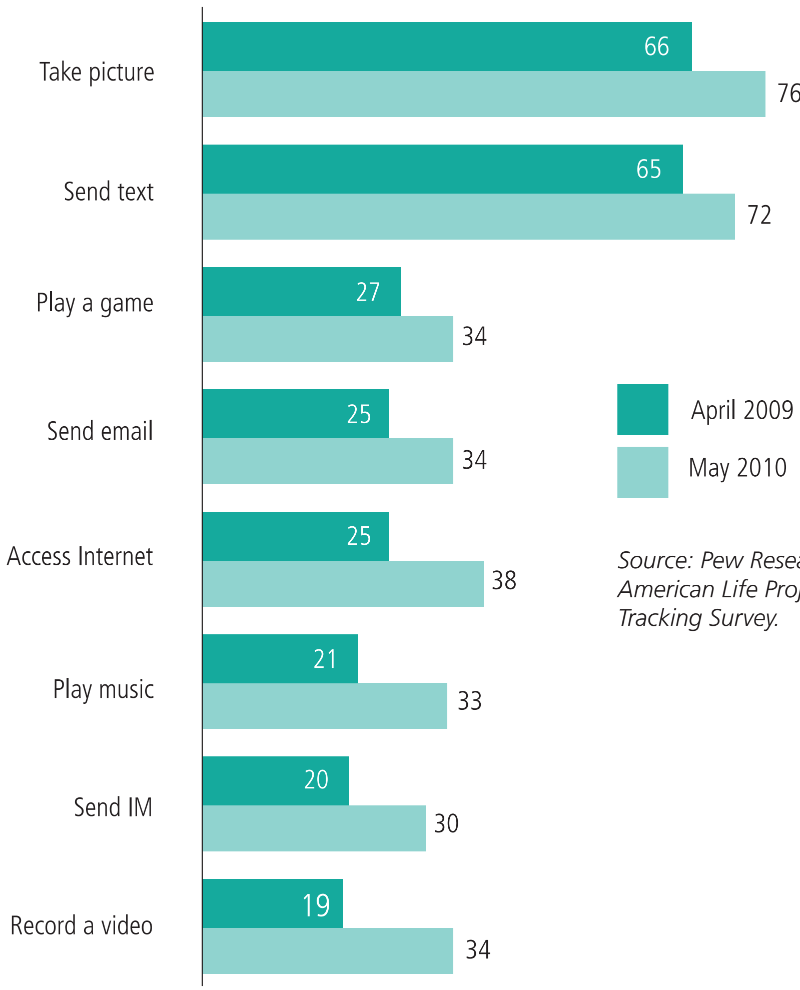
NEAR UNIVERSAL RURAL REACH

Nowhere is the value proposition of wireless service more plainly self-evident than in rural America, where the closest neighbor could be miles away. Mobile innovation is transforming rural life and making these communities more connected than ever.

Our country has always been united by a shared commitment to ensure that rural communities have access to the same essential services as their counterparts in urban and suburban America. It's no small task in a country where 21% of the U.S. population is spread across 86% of our nation's vast

BEYOND THE CALL: CONSUMERS INCREASINGLY USE MOBILE TO DO MORE

The % of cell phone owners who use their phones to do the following



Source: Pew Research Center's Internet & American Life Project, April 29-May 30, 2010 Tracking Survey.

geography. That equates to 100 people or less per square mile, compared to the population density of a city like Los Angeles that has about 2,700 people per square mile.

But it's not just larger urban areas that offer great choice in mobile providers. Smaller cities, such as Ames, IA and Casper, WY have nearly the same number of carrier choices as New York and Los Angeles.

A full 98.5% of rural areas have access to wireless service, and nearly four out of 10 rural Americans have five or more choices of provider.[28] Additionally, even though mobile broadband is in its infancy and just now being built out, nearly 92% of the U.S rural population has access to mobile broadband, and one in three have a choice of three or more providers, as well.

In areas where residents often have to travel long distances for health care, education and sometimes even basic essentials like food and running water, one thing that unites them today is a mobile connection to the world—one that makes geography less of a boundary in their everyday lives.

MOST ROBUST NETWORK INVESTMENT

Despite the recent recession and growing regulatory uncertainty in Washington, the wireless community invested an average of more than $20 billion annually in network infrastructure since 2006.[29] This progress was spurred on by a highly competitive market and a hands-off regulatory climate that has encouraged investment and the seemingly insatiable appetite of consumers for mobile connectivity.

Consumer wireless usage is escalating at a staggering pace as mobile activity makes the leap from simple texts and phones calls to robust data traffic and even video. Each of these steps involves exponential growth in wireless network capacity demands. In fact, the 90,000 terabytes of traffic per month that was carried on wireless networks in 2009 is expected to grow to 3.6 million TBs/month by 2014—a daunting 40-fold increase.[30] To put that in perspective, the entire Library of Congress archive includes just 160 terabytes of data.[31]

For that reason, the overarching imperative of all U.S. mobile policy must be to encourage the availability of additional spectrum and continued robust investment in an ongoing and aggressive buildout of wireless networks to keep pace with booming consumer demand. As the chart on the next page indicates, the U.S. leads the world in this investment today.

And, the U.S. is poised to continue that leadership in the 4G era. Thanks to robust private investment, our country is leading the transition to Long-Term Evolution (LTE), a single technology standard for high-speed mobile networks. With companies ranging from AT&T, Verizon and T-Mobile to MetroPCS, Leap and LightSquared all building out or planning LTE networks, it is estimated that a majority of Americans may be covered by high-speed mobile broadband services by the end of 2011.

The steep adoption and usage growth trajectory among today's consumers powerfully illustrates the importance of the Administration's efforts to make significantly more spectrum available to meet consumers' fast-growing mobile needs. And, it is equally essential that any new policies actively encourage the continued flow of billions in private capital needed to get this spectrum into use across the country—a process that can take six to 10 years to complete.

ESTIMATED PERCENTAGE OF WIRELESS CAP-EX SPENT ON MOBILE BROADBAND[32]

Source: GSM Association

RAPIDLY RISING MOBILE CONNECTIVITY

Mobile connectivity is no longer just about phones or text messages. These devices in our pockets and purses are rapidly becoming PCs in the palm of our hands—sophisticated devices that can readily connect us to the endless resources of the Internet, anytime and anywhere.

The number of U.S. consumers with broadband access on their mobile device has risen from three million in 2006 to 73 million in 2008.[33] In fact, according to the FCC's most recent report on Internet access services, Americans are adopting wireless Internet access over fixed-location technologies at a rate of 2:1 today.[34]

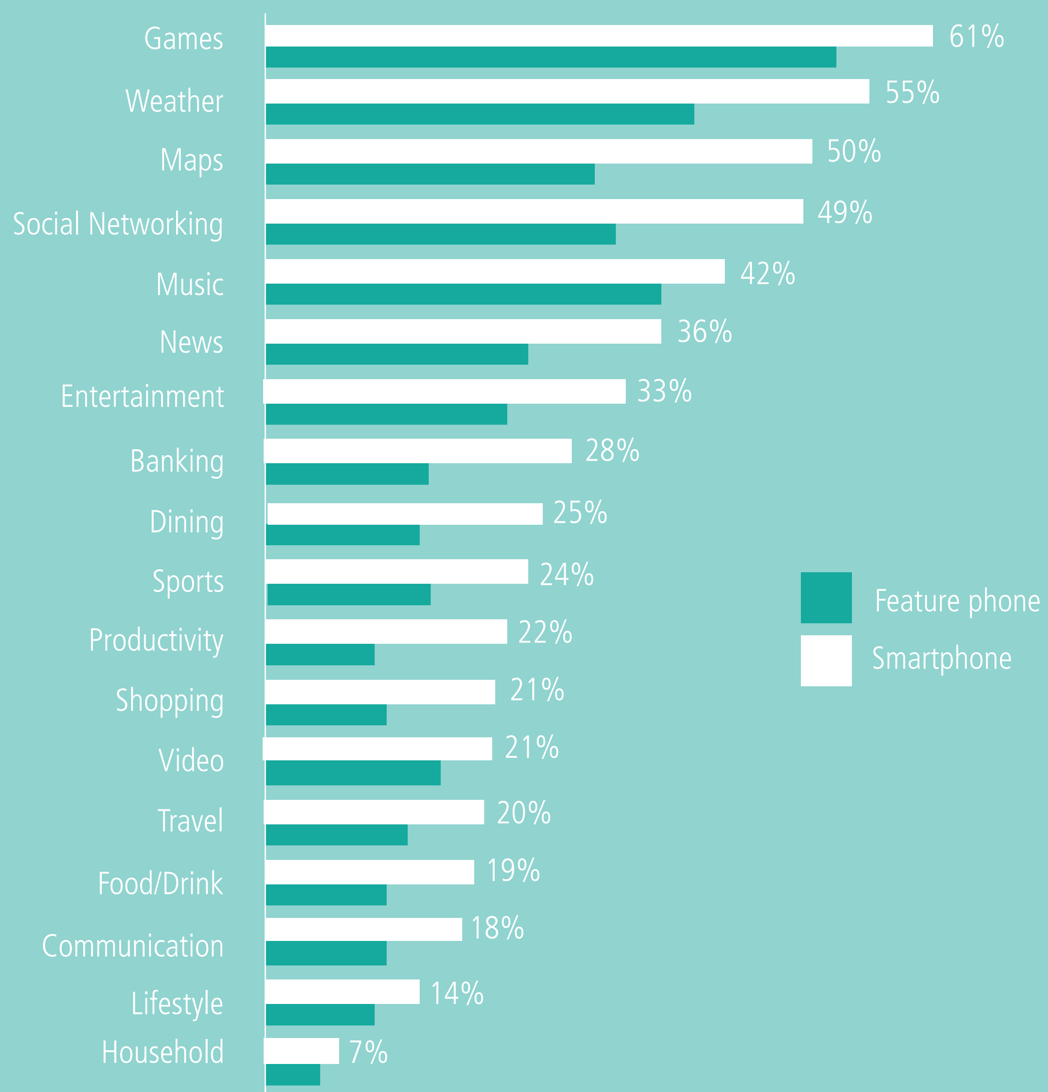
The mass consumer embrace of sophisticated smartphones, tablets and other robust, connected devices are undoubtedly fueling this trend. These nimble, next-generation tools today generate 30 times the data traffic of basic-feature phones. As a result, wireless data traffic is expected to grow 100x faster than mobile voice traffic over the next 10 years.[35] Globally, mobile data traffic is expected to double every year through 2014, according to Cisco.[36]

This is exciting because it means, broadly across the U.S. population, consumers are embracing the benefits that wide-ranging mobile innovation is bringing to their lives. Below you see the most popular categories of mobile applications in the United States, which offers an illuminating proxy of wireless data traffic growth as fueled by consumer choices and demand.

> "*We are now beginning the next transformation in information technology: the wireless broadband revolution.*
>
> — President Obama, June 28, 2010

CATEGORY OF APPS USED OVER A 30-DAY PERIOD

Source: The Nielsen Company



Given the broad relevance of wireless as an ever more essential modern tool—for our work and home lives—it should come as no surprise that over the past year, the number of Americans connecting wirelessly to the Internet is up eight percentage points, with six out of 10 Americans now using a wireless device to access the Internet.[37] According to the FCC, the number of Americans using wireless for full Internet access increased 40% in the first six months of 2009. In fact, more Americans now use their mobile device to connect to the Internet (38%) than play a game on their device (34%).

It's not just young millennials gravitating to the mobile Internet. Their parents—folks in the 30 to 49 year old age bracket—are now leading the growth. African Americans and Latinos also are ahead of the mobile connectivity curve. Roughly two-thirds of both communities are wireless Internet users—and 1 in 3 connects daily. Even low-income Americans are finding cost-effective ways to access the mobile web, showing an 8% growth in wireless Internet use this year.

As early as 2014, more people may go online via mobile devices than PCs.[38] And, when you look at who's making the connection, it is a model of digital inclusion.

ACCELERATING
MOBILE INNOVATION

Today's wireless is no longer just about the device in our pockets. Mobility is now making the leap to home appliances, doctors' medical tablets, community power grids and beyond. An estimated 10 billion devices will be connected around the world in the next 10 years, as mobility unleashes the next profound wave of computing innovation. That's ten times more devices than there are desktop PCs.

We will work smarter, live healthier and enjoy progress we can barely dream of today.

Virtually everything will become connected and efficient, with profound implications to our economy, to the productivity of American companies and, broadly, to our society. Following the PC and then desktop computing, mobile will power the next major cycle of computing innovation. Consider how often you change the operating system on your PC. By comparison, the average mobile operating system turns over every 12-18 months. This is a proxy for the pace of revolutionary change in mobile innovation as these devices continue to make leaps and bounds in their capability, value and relevance to how we live and work in the modern world.

MOST COMPETITIVE DEVICE MARKET

By the end of next year, most wireless consumers will use a connected smartphone.[39] In 2008 and 2009 alone, more than 65 new smartphones were introduced to the marketplace.[40] Adding to the value proposition, device makers and wireless providers often work collaboratively to "one-up" other market competitors on both price point and innovation. The result is a range of prices that suits every budget, and the choice of contract and no contract options that allow even the most bleeding-edge devices to be broadly accessible to consumers via steep discounts.

The debut of the iPad illustrates that the introduction of a new device can be a pop-culture event. Apple sold more than 3 million devices in the first 90 days and spawned legions of competitors. Amazon's Kindle has had a similar effect. Today, consumers can choose from so many competing devices that PC World named 2010 "The Year of the E-Reader."[41] And, Amazon recently announced that it now sells more electronic books than hardcover books.[42]

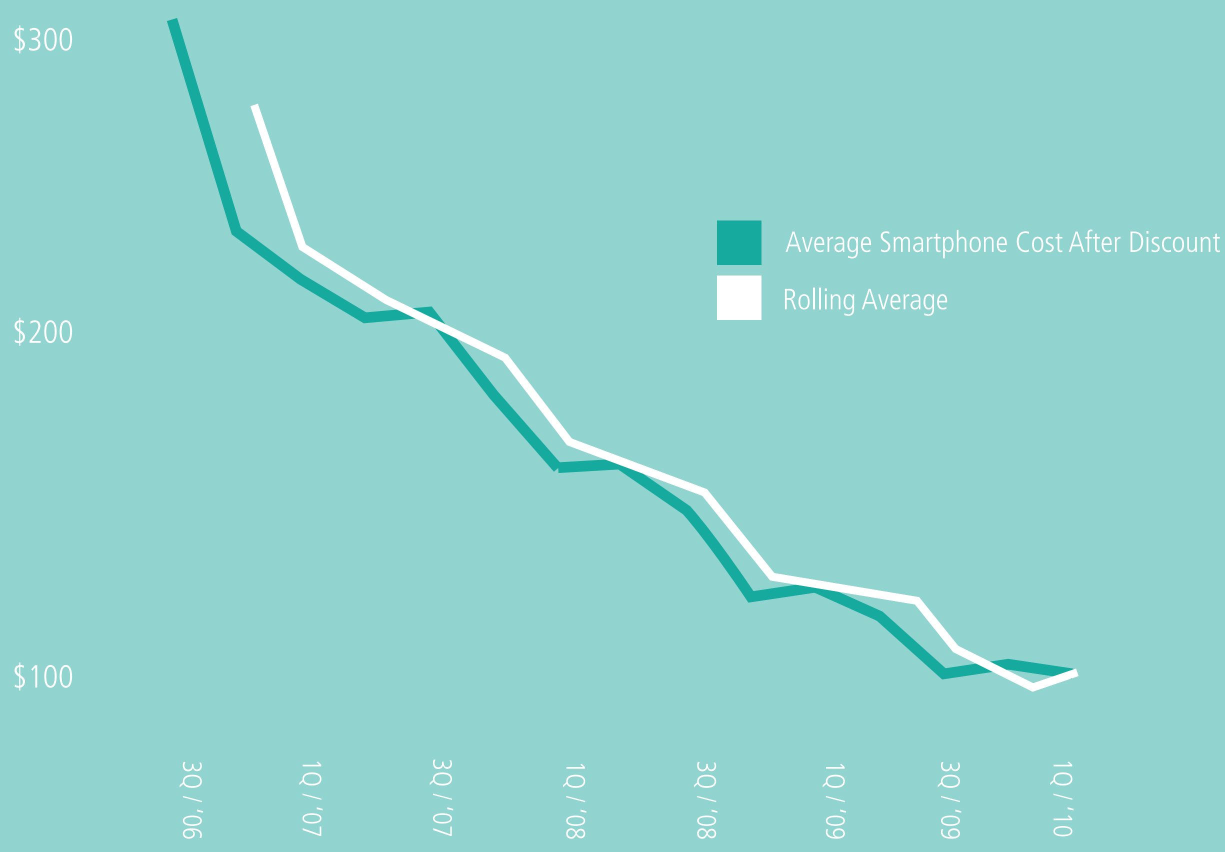
Of course, a consumer-driven market can be unforgiving. The Microsoft Kin was terminated weeks after its launch after apparently failing to connect to its intended social networking-savvy younger demographic. Yet, there are many examples of constructive, consumer-driven innovation. In 2002, T-Mobile changed the wireless landscape with its "Sidekick," the first mobile device with instant messaging. Today, 1 in 3 mobile consumers IM.[43]

Can smartphone prices actually reach zero? In June, the Palm Pre was offered through Amazon by both AT&T and Verizon for a single penny. What makes it all tick? Competition.

> *"Smartphone pricing appears set to approach zero.*[44]
>
> — Merrill Lynch

LOWER SMARTPHONE PRICING

Source: Bank of America Merrill Lynch Research, "Wireless Pricing: Lower Highs, Lower Lows," April 14, 2010



CUSTOMER-RESPONSIVE MARKETPLACE

To attract and retain consumers in a competitive marketplace, wireless service providers are perpetually responding to and anticipating consumer demand. In addition to innovative service offerings, this means continually offering more flexibility and information about their products.

From no-risk grace periods at the top of new service contracts to coverage maps that illustrate where a company's wireless service is generally available to resources that allow customers to view and manage their voice and data usage 24/7 to the rise of pro-rated early termination fees, consumers are clearly driving the evolution of the mobile marketplace. The wireless community is continually embracing new ways to keep customers satisfied—and clearly listening to consumers as innovators race to identify fresh ways to be responsive to customers' questions and concerns. These commitments are reflected in part in the Consumer Code for Wireless Service, which reflects the industry's shared principles for helping consumers make informed decisions about their wireless service and includes recently adopted updates to keep pace with the rapidly evolving marketplace.

The ability of wireless providers to respond directly to shifting consumer demands—and the clear imperative for them to do so in an intensely competitive marketplace—has created a dynamic that is far more nimble and responsive to consumers than prescriptive regulations would ever allow. The result is rapid, customer-friendly innovation in which consumers and their choices in a transparent marketplace guide the shape and direction of wireless services.

> "*92 percent of all cell phone users are satisfied with their service overall.*"
>
> — Federal Communications Commission

LARGEST

APPS MARKET

As consumers use their mobile devices in ways few could have envisioned 25 years ago, whole new sectors of our economy are being created. One of the brightest spots in today's shining mobile universe is the mobile applications market, which has emerged virtually overnight to become one of the largest economic engines of mobile growth and innovation.

APP GROWTH IN A COMPETITIVE MARKETPLACE

Today, U.S. wireless customers can access more than 300,000 mobile applications, more than double what was available in December 2009, from at least ten competing applications stores. The apps marketplace has seen astronomical growth. The number of downloaded apps has increased nine times over the past two years.[45] At the Apple App Store alone, more than three billion applications have been downloaded since its launch just two short years ago.[46]

The result is a new sector of our economy. From the development labs of leading technology companies to the garages of aspiring innovators, entrepreneurs are thinking about and building the next 'killer app.' The fiscal impact: Apple's App Store alone has paid developers $1 billion.[47]

While the apps marketplace is expanding rapidly—expected to grow 145% this year[48]—most apps consumers use are free. And, applications aren't just about a cool new game. They can enable your mobile device to declare aloud the content of canned goods to aid the visually impaired. They allow parents to disable texting on their teen's mobile device when they're driving—helping eliminate distractions for young drivers. People can even use apps to "carry" medical records, making up-to-date information readily accessible to their care team.

The opportunities at the nexus of mobile and Internet connectivity are virtually limitless.

> *Mobile application stores will exceed 4.5 billion downloads in 2010, eight out of ten of which will be free to end users.*
>
> — Gartner Research

POWERFUL ENGINE OF
JOB CREATION & GROWTH

The wireless sector is a critical engine of American jobs and economic growth, performing well for our economy despite the recent economic downturn. Direct and indirect employment from the mobile community totaled 2.4 million jobs in 2009,[49] with these positions typically paying 50% or more of the national average salary.[50] And, this says nothing of the $100 billion mobile innovation contributes annually to the U.S. GDP.[51]

But that is just the tip of the iceberg in terms of the contributions of mobile innovation, which extend into virtually every sector of our economy. Modern wireless tools are helping businesses, large and small, boost productivity, reduce costs and compete on the global stage.

Boeing's Mesa, AZ plant, for example, is using wireless technology to instantly track tool inventory, help the plant's buyers know what tools need to be replaced, and assist the plant certification of tools for both internal and external audits—all helping save time and money.[52]

Another example is Intelligent Transportation Systems, which uses wireless technology to communicate with drivers to help them avoid traffic and road hazards, find parking spaces and help mass transit run more efficiently. This innovation is expected to bring $30.2 billion over 10 years in mobility, safety and environmental savings according to the Information Technology and Innovation Foundation.

And we're just starting to see the full potential of the revolutionary intersection of robust devices, applications and next-generation wireless networks.

Wireless is proving a powerful engine of job creation, productivity and economic growth at a time when our nation needs this critical boost to jumpstart our growth and competitiveness. For that reason, it is imperative that any changes to U.S. wireless policy first answer the question: Does this help or hurt our mobile innovation economy?

Recent signals that the FCC may pursue a heightened regulatory path for wireless have spooked the investment markets. For example, the FCC's announcement of a 'third-way' path to Internet regulation has fed a more bearish investment climate in recent months. This could be eased by the Commission's clear recognition of the intensely competitive nature of the wireless marketplace, a move that would affirm that greater government interventions are unnecessary.

Thanks to strong investment and consumers' unabated enthusiasm for mobile devices, apps and services, our nation's information economy has a stable foundation upon which to advance a sustained economic recovery. We need to build on that bedrock, rather than chip away at its critical underpinnings. The FCC owes both Wall Street and Main Street timely, credible and unequivocal reassurance that the vital oxygen of our technology sector will continue flowing—and with it the jobs and economic growth it is powering throughout our nation.

> *"One obvious bright spot in the current labor market: the communications sector.*
>
> — "The Coming Communications Boom," Progressive Policy Institute, July 2010

Where do we go from here?

MOBILE INNOVATION POLICY
THE ROAD AHEAD

As we enter a new decade, virtually everything will become connected. Whether it's the local power grid, the home thermostat or the 'textbook' your child brings home from school. Wireless technologies will change our lives in ways we may not be able to imagine today.

The engine of this rapid innovation? Competition.

Policymakers from Congress to the Federal Communications Commission to state governments have placed a priority on ensuring that wireless is driven by consumers and fueled by private investment and robust competitive dynamics. This framework, by all measures, has caused wireless to flourish, creating jobs and powering innovation throughout our society. In announcing its push forward with Internet regulation, the FCC even cited mobile progress as a model to aspire to, rightly noting "one of the greatest successes in this industry in the last twenty years—the growth of wireless services."[53] The advances in the wireless market bring advantages beyond just service choices—from the rise of apps and application developers to the innovation brought to consumers through the devices and offerings available to them.

To continue this progress, the FCC must consider four key factors:

SPECTRUM DEMAND: Without aggressive steps to expand the availability of commercial spectrum available to meet the fast-growing needs of consumers and our connected economy, our nation will reach artificial limits on the potential of mobile to continue to transform our society and expand our economy. President Obama is right to move now—and he must move aggressively—to make good on his vow to substantially expand available spectrum to keep pace with consumer demand for more innovative and robust mobile applications and services.

MOBILE INTERNET: Recent Pew and other data clearly indicate that consumers are embracing the mobile Internet across demographics and age groups. It also indicates that different communities sometimes use these opportunities in different ways. Whether used as a supplement to or as a replacement for traditional broadband, it is clear that mobile broadband is being used by Americans from nearly every walk of life. As the FCC takes a closer look at wireless, it's important that it consider how diverse consumers are actually embracing mobile connectivity, because one size certainly does not fit all. Set rules, which would force carriers to leave technology capabilities and service offerings where they were when the rules were written, would stifle mobile broadband development by limiting the ways in which carriers can differentiate themselves and compete with one another.

CAPITAL INVESTMENT: The FCC's focus is encouraging innovation, driving economic recovery and facilitating broadband expansion. With these admirable objectives in mind, infused into every debate should be ample consideration of how policy decisions can be constructed in a way that continues to move our connected nation forward. In the wake of strong and at times genuinely alarming signals of major policy reversals, the FCC needs to move quickly to offer meaningful reassurance—to investors, to Congress and to consumers—that it understands the implications of its actions to a successful American marketplace, and it intends to ensure that consumer choices, rather than government preferences, continue to guide mobile innovation. A more measured path to the FCC's goal of empowering consumers would be a focus on greater meaningful transparency, rather than more regulations. Information regarding key distinctions among the various market players and their service offerings would further illuminate the competitive landscape for consumers and encourage, rather than discourage, companies to invest even more capital to enhance their customers' experiences.

CONSUMER CHOICE: It is imperative that the FCC unequivocally acknowledge the competitive nature of the U.S. mobile marketplace. Consumer-driven innovation has defined U.S. wireless success since its inception. It is plainly evident in every corner of the marketplace today—from abundant choices of service providers, devices, applications and other major categories. The imperative today is adding capacity and spectrum—a process that can take up to 10 years and requires billions of dollars in capital investment—and a policy climate that encourages these massive capital flows. Hanging in the balance are innovation and economic opportunities that our nation urgently needs. The current light regulatory framework has cultivated mass innovation and economic expansion to the broad benefit of our nation and its customers. It is self-evident in the day-by-day rollouts of fresh innovation and new consumer choices just how effective this framework remains.

Advancing our mobile future

Mobile innovation is inherently intertwined with U.S. economic policy, jobs, health care, education, public safety and clean, efficient energy—not to mention games and entertainment.

Promoting the progress of wireless requires policies that continue to emphasize innovation, investment and competition. As American society and our economy prepare for the next wave of innovation in mobile and wireless technologies, now is the time to reflect carefully on what got us here: a light-touch regulatory approach, profound private sector risk-taking and investment, partnered with aggressive innovation by an increasingly diverse mobile ecosystem, guided by the enthusiastic input and demand of the modern American consumer.

These principles have shaped the journey so far, and the result has been profound innovation, progress and growth throughout our society. All stakeholders—from policymakers in Washington to innovators across the country to the consumers they both serve—have a vested interest in seeing wireless continue to thrive.

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