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From the Los Angeles Times

Next cell trend lets users hold the phone

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First people were allowed to take their phone numbers with them whenever they switched wireless providers. Now, Verizon Wireless is handing consumers greater clout by allowing them to use their own handsets, not just Verizon's, on the carrier's network.

The surprise announcement Tuesday could force other wireless companies to follow suit, which in turn would spur carriers to compete more aggressively on pricing and service. This could lead to cheaper and more feature-packed cellphones.

Regulators, consumer groups and industry leaders hailed the decision as an important step in opening heavily guarded wireless networks to competitors.

Kevin J. Martin, chairman of the Federal Communications Commission, said he envisions "an exciting new era in wireless technology for the benefit of all consumers."

"I continue to believe that more openness -- at the network, device and application level -- helps foster innovation and enhances consumers' freedom and choice in purchasing wireless service," he said.

Verizon may be committed to network openness, but its move was also guided in part by good old-fashioned self-interest.

Federal authorities are preparing to auction a coveted block of wireless spectrum: additional airwaves that would turbocharge Verizon's network for next-generation mobile services. Opening up to rivals' phones and applications is a condition set by the government for submitting bids.

Deep-pocketed Google Inc. has made no secret of its intention to bid for a big chunk of that spectrum, and the Silicon Valley search giant already is in bed with the likes of Verizon rivals Sprint Nextel Corp. and T-Mobile USA.

"Verizon has read the writing on the wall," said Harold Feld, senior vice president of the Media Access Project, a Washington advocacy group focusing on telecom issues. "The company desperately needs to win a huge amount of spectrum in the upcoming auction."

Verizon Wireless' chief executive, Lowell McAdam, called the spectrum play "hogwash."

"We don't pay attention to regulators and lawmakers," he said. "We pay attention to the marketplace."

A more competitive wireless market won't happen right away -- probably not until late next year. And it will target, at first, primarily those consumers willing to spend hundreds of dollars for their own handset, as opposed to having a cellphone whose base cost is largely subsidized by a wireless provider.

But in the long run, a shift to more open networks would result in lower handset costs as manufacturers -- not mobile carriers -- play a greater role in determining which features will be offered on their products.

Not all phones would run on Verizon's network. For example, the popular Apple Inc. iPhone runs only on the AT&T Inc. network, which uses a standard called Global System for Mobile Communication (GSM).

Verizon's network is powered by a technology called Code Division Multiple Access (CDMA). CDMA cellphones won't work on GSM networks, and vice versa. But greater network mobility could usher in a new wave of cellphones that work with both standards.

Whatever else, Verizon's policy switch came none too soon for Tom Underhill, a Yorba Linda commercial real estate broker. He used to be an AT&T customer but was dissatisfied with the carrier's coverage area. So Underhill, 67, gave his handset to his grandchildren as a toy and switched to T-Mobile. Lately, though, he said he's been unhappy with T-Mobile's service, even though he got a slick new Razz handset in return for extending his contract.

If Verizon offered better coverage and service, and if his Razz phone had the capability to run on Verizon's network, Underhill said he'd definitely be interested in switching over, even if that meant swallowing a T-Mobile termination fee.

"If a company can't cut it in service, they don't deserve to be able to tie you to them," he said of the current industry practice of linking specific handsets to specific networks.

Verizon said it would release its technical specs to developers early next year so they could make other handsets and applications work on the carrier's network. "Any device that meets the minimum technical standard will be activated on the network," the company said.

Verizon wants people to feel the love.

"Our arms are wide open," CEO McAdam said. "As long as the technology matches, we want to have you."

For a nominal fee, that is. McAdam said there would probably be a charge -- call it a cellphone corkage fee -- for people to bring their own handsets to Verizon's network. He said it's too early to say how much the fee may be.

"It's not in our interest to make a big barrier to having customers join our network," McAdam acknowledged.

Mark Siegel, an AT&T spokesman, said there was no need for his company to follow Verizon's lead in pursuing a more open network policy.

"We saw the light a long time ago," he declared. "We're the most open wireless company in the country."

By that Siegel meant that AT&T already is amenable to customers using other providers' handsets, as long as the rival carrier has "unlocked" the phone for use elsewhere. "What we can't do is guarantee that such devices would work as well as if you had bought it from an AT&T store," he said.

Similarly, Siegel said AT&T is open to any application concocted by third-party developers. But he said the carrier can't guarantee that such applications would work on its network.

"We set the standard for openness," Siegel said.

Well, no. At least not if Verizon is serious about its "any apps, any device" pitch. And not if Google pulls off its cellphone operating system -- dubbed Android -- that would be designed to run applications on virtually any handset on any network.

In a sign of the looming battle, Microsoft Corp. said Tuesday that it supports Verizon's open-network policy, suggesting that a slugfest is brewing with Google over cellphone software.

Analyst Blair Levin at Stifel, Nicolaus & Co. wrote in a report Tuesday: "The longer-term impact depends on a number of factors, including whether Verizon develops technical specifications that are easy for developers to meet, whether handset/application makers can invent something cool enough that a significant number of consumers are willing to pay for it and whether we are a nation too wedded to handset subsidies to move to this new model."

Lawmakers reacted favorably to Verizon's announcement.

"While we do not yet have all the details, the company's decision appears to be a step forward for consumers," said Rep. John D. Dingell (D-Mich.), chairman of the House Committee on Energy and Commerce. "I'd like to see additional carriers listen to their customers and offer a more open platform."

Verizon initially opposed any requirement from the FCC that open networks be a condition to bid for the upcoming auction of wireless spectrum. Its position softened as it became increasingly apparent that Google would prevail in promoting the benefits of open networks.

Feld, at the Media Access Project, said Verizon now realizes its future growth depends on having the wireless capacity to offer state-of-the-art services. "They can't do that with their current spectrum," he said.

Feld credited the FCC's Martin with understanding that consumers would be best served by forcing industry players to open up -- at least if they want to participate in the auction.

"This proves that competition is not enough," he said. "Sometimes you need a push from regulators for consumers to get what they need."

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