

FCC to look at exclusive cell phone deals

June 19 2009, By PETER SVENSSON , AP Technology Writer

(AP) -- Regulators will investigate whether exclusive cell phone deals, such as the one that locks the iPhone to AT&T, are good for consumers.

The acting chairman of the Federal Communications Commission, Michael Copps, has instructed the commission's staff to review exclusivity arrangements.

"In the fast-changing wireless handset market ... we must ensure that consumers are able to reap the benefits that a robust and innovative competitive marketplace can bestow," Copps said Thursday at an industry conference in Washington.

Carriers generally negotiate exclusive deals that last six months to a year, after which other carriers can also sell the phone model to their customers. By launching with only one carrier, the manufacturer gets a higher price or extra promotional spending on the phone.

Apple Inc.'s [iPhone](#) is a much-noted exception. Dallas-based AT&T Inc. has been the sole U.S. carrier since Cupertino, Calif.-based Apple launched the first model two years ago, frustrating consumers who want to use it on another carrier.

Handset exclusivity was one of the subjects of a Senate Committee on Commerce, Science and Transportation hearing this week.

Barbara Esbin, senior fellow at the Progress & Freedom Foundation, a think tank that generally opposes government intervention, told the

committee that exclusive arrangements help manufacturers bring new devices to market quickly and gives the carriers incentives to promote and subsidize them.

Competing U.S. carriers have found touch-screen phones from other manufacturers to compete with the iPhone, but none has come close to equaling that phone's cachet. The third model, the 3G S, went on sale Friday.

Verizon Wireless offered a few months ago to shorten its exclusive periods for new cell phones from LG and Samsung to six months, from as long as a year, to give small rural carriers a better chance to sell up-to-date phones.

The rural carriers rejected the offer as insufficient.

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