FCC inquiries could spawn new wireless regulations

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(AP) -- The Federal Communications Commission is taking a closer look at the practices of the wireless industry, potentially the first step toward more regulations intended to push down prices and increase choices for consumers.

At its first meeting with all five commissioners seated since the inauguration of President Barack Obama, the FCC voted unanimously Thursday to open an inquiry into the state of competition in the wireless industry. The FCC also wants to explore factors that encourage innovation and investment in wireless.

The FCC inquiries are information-gathering exercises and it is too soon to know where they will lead. But the agency faces mounting pressure from public interest groups and Congress to investigate common business practices in a market dominated by four national carriers, including AT&T Inc. and Verizon Wireless.

These examinations are likely to look at everything from spectrum auction rules to roaming obligations to handset exclusivity deals, such as AT&T Inc.'s contract with Apple Inc. to serve as the sole U.S. carrier for the iPhone. The FCC is also looking into expanding so-called "truth-in-billing" rules, which require phone companies to clearly describe charges on consumer bills.

"It is essential that the Commission develop policies that encourage a new generation of innovators, working with new tools, on new platforms, and having an extraordinary impact on our economy and society," said Julius Genachowski, who took over as FCC chairman at the end of June.

The Senate and House have been probing the wireless business as well, holding hearings on such topics as handset exclusivity and text messaging rates.

In July, Herb Kohl, D-Wis., chairman of the Senate Judiciary Subcommittee on Antitrust, Competition Policy and Consumer Rights, sent letters to Genachowski and Christine Varney, the new head of the antitrust division at the Justice Department, urging them to take action to promote competition in the wireless industry.

The FCC has already sent a strong signal that it intends to step in when it sees potential problems in the industry. Last month, the agency sent letters to Apple, AT&T and Google Inc. asking why Google's Voice App messaging service has not been approved for use on the iPhone.

Michael Scurato, a third-year law student at Georgetown University, is one wireless customer who welcomes more oversight of the industry.

Scurato switched from Verizon Wireless to AT&T because he wanted an iPhone. But once he was locked into a contract with AT&T, he lamented the network holes he experienced on his weekly drives to see his wife in Pennsylvania. Now he would like to use Skype's Internet calling service and the SlingPlayer Mobile application, which redirects TV signals to the device. But Apple limits his ability to use those programs because it lets them run only when the device is connected to a Wi-Fi hot spot rather than AT&T's cellular network.

Joel Kelsey, a policy analyst at Consumers Union, said regulators will have to consider two main issues: The high switching costs that lock consumers into lengthy contracts, and the practices that make it difficult for smaller rivals to unseat the industry heavyweights. Kelsey would like to see the FCC ban exclusive handset deals.

Genachowski has already said he wants to examine whether such deals are unfair to rural customers who live in places not served by the big wireless companies. With the issue in the spotlight, the industry has started to change its behavior. Verizon Wireless told several top lawmakers last month that it would limit future handset exclusivity deals to six months, letting carriers with up to 500,000 subscribers sell its handsets after that period.

The FCC is also looking at roaming, which lets wireless carriers use competitors' voice networks in places where they do not offer their own service.

Under an "in-market" exception to these rules, wireless carriers can deny roaming agreements to rivals in places where those rivals already own wireless spectrum but have not built out networks. Kelsey and other consumer advocates would like the exception lifted.

AT&T and Verizon Wireless counter that after investing billions of dollars in their networks, they should not be forced to share their systems with competitors that have not made such investments.

Verizon said last month, however, that it would support a rule requiring in-market roaming agreements that last no more than two years.

Another FCC inquiry is likely to focus on the "special access regulations" that guarantee carriers access to the vital back-haul lines that connect wireless towers to broader telecommunications networks. Independent carriers argue that they pay excessive prices for this access because much of the critical network infrastructure is owned by landline telephone companies such as AT&T and Verizon, which also have wireless arms.

Christopher Guttman-McCabe, vice president of regulatory affairs for CTIA-The Wireless Association, said the industry welcomes the FCC inquiries as a chance to educate policymakers on how competitive the wireless industry is. After all, he said, while much of the attention has focused on the four largest carriers, there are many smaller companies, such as Leap Wireless International Inc. and MetroPCS Communications Inc.