

## U.S. Wireless Outlook



*After nearly 5 years at CTIA, Joe Farren joins Waggener Edstrom Worldwide and talks about the U.S. wireless industry's top trends for 2009.*

**Q: What changes affecting the wireless industry did you expect out of the new Administration? Have they been realized?**

**A:** Well first off, I think the biggest change is that this Administration is highly attuned to technology issues and fully understands the revolutionary power that wireless possesses. I think it's fair to say that the Bush Administration, beyond spectrum auctions, simply didn't have wireless on their radar screen. That's not a criticism, just a realistic observation. With regards to the Obama Administration, I think there's little doubt about the emergence of two major themes. One, the new Administration will aggressively seek to build out broadband access so that citizens currently unconnected – mostly in rural America – will have a broadband option. We're seeing this take shape in the form of \$8 billion in stimulus funds for rural broadband adoption. By the way, this is huge opportunity for the wireless industry to demonstrate its enormous value to society.

The other issue that many expect to become central, but one that hasn't really emerged yet due to economic recovery efforts, concerns regulating Internet access and usage. If enacted, this type of mandate would dramatically shift the management of Internet access from the private sector to the public sector. Huge consequences here, especially concerning broadband investment. Our appetite for broadband is growing exponentially, and without massive private sector investment I don't know how we'll meet that demand.

But something might be happening on the way to this debate. As we're all going through this painful, once in a lifetime economic crisis that is destroying century-old industries, we're also getting a chance to "rate" different sectors. We're seeing who stands the tallest when it comes to responsible management practices and providing products and services that customers truly want and value. Without a question, the wireless and general technology sector is standing head, shoulders and torso above virtually all others. So there's a fair argument to make about letting this healthy and responsive sector continue innovating and delivering quality products and services for their customers.

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**Q: Taxes on wireless services have become a contentious issue. How will it affect consumers and the industry?**

**A:** This is a critical concern and, in my opinion, you have to address the issue of wireless taxation if you're serious about broadband build-out for low-income Americans. The truth of the matter is that the effective wireless tax rate is a barrier to broadband access for low-income citizens. Our broadband policy is actually quite paradoxical. On one hand, we are spending billions of dollars to bring access to people who currently don't have it – a very worthy pursuit. But on the other hand, we are taxing the service at a rate that prohibits some from purchasing it.

Right now in America, the average wireless consumer pays more than 15% of his or her monthly bill in taxes and fees. In some states the average burden is more than 20% of the monthly bill! Here we have a service – wireless service – that everyone agrees can lift standards of living for citizens everywhere and we’re taxing it like a pack of cigarettes. CTIA has taken a real leadership role on this issue and has absolutely prevented the rate from climbing even higher.

But in these tight budget times, states, counties and municipalities are looking for ways to raise revenue and many continue to see wireless service as an ideal vehicle. Don’t get me wrong, governments have a legitimate right and need to raise revenue but it’s time to stop piling taxes onto wireless service. I think every reasonable person would agree that an average 15% tax rate is excessive. There’s actually legislation in Congress that would prohibit states and local governments from passing new wireless-only taxes – it’s titled the Cell Tax Fairness Act of 2009. And if I were to put on my political consultant’s hat, I would say this is a perfect issue for Congressional Democrats to seize – very much a Nixon going to China scenario.

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**Q: How does the adoption of new technologies impact the telecom industry?**

**A:** Well, we have new platforms, new technologies, new applications, new services, new products, the list goes on and on. And there is constant innovation in nearly every one of these areas... it’s a testament to how competitive the industry is and how demanding the consumer is. Again, there’s very clear evidence of this sector functioning exceedingly well.

But I think a better way to approach the question is from the standpoint of mobility. Mobility is the unique aspect of wireless – it goes where you go. And because consumers have quite loudly declared – through their purchasing habits – that they want everything to be mobile, the question becomes how much of a consumer’s “life” you can bring onto a handset. That’s what’s really happening in the marketplace today. Consumers want and expect their handset to be their life’s remote control. It’s their gateway to everything that’s important to them, both personally and professionally. So I firmly believe and expect everyone in the wireless space and everyone who is entering the wireless space to continue building on the enormous progress that’s occurred in just 26 short years. Innovation will never stop – or even slow down – in this space, and that’s one of the reasons I love it so much.