

## Lifting U.S. Spectrum Cap Heralds Livelier Wireless Market

Phillip Redman

By removing limits on how much frequency a carrier can own, the U.S. Federal Communications Commission (FCC) will bolster consolidation of the wireless market and decrease competition.

## NEWS ANALYSIS

---

### Event

On 8 November 2001, the FCC announced new rules governing the ownership of wireless spectrum:

- The cap on how much spectrum a carrier can own in any particular city will immediately rise from 45 MHz to 55 MHz.
- The cap will disappear altogether on 1 January 2003.
- Limits on carriers owning stakes in other carriers in the same market will disappear in urban areas but will remain in rural areas.

### Analysis

The FCC raised the cap to 55 MHz to ease the near-term spectrum capacity constraints in the most constrained urban areas but also gave time to establish faster procedures for analyzing transfers of wireless licenses when the cap disappears entirely in January 2003. These moves will please some wireless operators, which face numerous FCC mandates (e.g., enhanced 911 and wireless number portability). These new rules will have little immediate impact on enterprises, but through 2002 some radical changes will likely occur:

- Consolidation among operators will increase as local and regional players jockey for survival and larger players view competitors more as partners.
- More spectrum-efficient CDMA operators (e.g., Sprint PCS and Verizon Wireless) had an advantage under capacity constraints, but by 2003 GSM and TDMA players can acquire as much spectrum as they'd like.
- With more spectrum available, Cingular or VoiceStream could more efficiently run W-CDMA third-generation technologies.
- A spectrum glut will arise — today, a total of 170 MHz (cellular and PCS only) is available for voice and data services with more spectrum potentially available elsewhere — so the value of spectrum will decrease, heavy investments in this market will decrease, and the market valuation of operators will likely decrease, too.
- The U.S. wireless market will gain a competitive advantage compared to countries that continue to limit spectrum because the dropping of the spectrum caps will give U.S. operators much more room to offer expanded voice and data services. As capacity grows, the cost per added user and point of presence will decrease while service offerings will increase.
- Regulators in Canada, Europe and Asia will reassess their own markets and will likely follow the U.S. lead by reducing or eliminating spectrum caps.

Market consolidation that goes too far will reduce competition, decrease the quality of customer service and increase service costs. However, Gartner believes that mergers will link small and large networks together to provide broader and deeper geographic coverage for mobile wireless services.

**Analytical Source:** Phillip Redman, Enterprise Network Strategies

## Need to Know: Reference Material and Recommended Reading

- “Enterprises: Develop Wireless Policies Now or Pay Later” (TG-14-2856) Gartner strongly advises that enterprises continue to push for centrally purchased wireless services. **By Phillip Redman**
- “U.S. Wireless Service Provider Magic Quadrant” (M-13-5974) With the bulk consolidation of wireless carriers concluded in the United States, enterprises are left with a few, much-bigger wireless carriers that provide a more competitive atmosphere for national service. **By Phillip Redman and Robert Egan**

(You may need to sign in or be a Gartner client to access all of this content.)

## REGIONAL HEADQUARTERS

---

Corporate Headquarters  
56 Top Gallant Road  
Stamford, CT 06902-7700  
U.S.A.  
+1 203 964 0096

European Headquarters  
Tamesis  
The Glanty  
Egham  
Surrey, TW20 9AW  
UNITED KINGDOM  
+44 1784 431611

Asia/Pacific Headquarters  
Level 7, 40 Miller Street  
North Sydney  
New South Wales 2060  
AUSTRALIA  
+61 2 9459 4600

Latin America Headquarters  
Av. das Nações Unidas 12.551  
9 andar—WTC  
04578-903 São Paulo SP  
BRAZIL  
+55 11 3443 1509