



Highlights of GAO-10-779, a report to congressional requesters

Why GAO Did This Study

Americans increasingly rely on wireless phones, with nearly 40 percent of households now using them primarily or solely. Under federal law, the Federal Communications Commission (FCC) is responsible for fostering a competitive wireless marketplace while ensuring that consumers are protected from harmful practices. As requested, this report discusses changes in the wireless industry since 2000, stakeholders' perceptions of regulatory policies and industry practices, and the strategies FCC uses to monitor competition. To conduct this work, GAO collected and analyzed data and documents from a variety of government and private sources; conducted case studies in both rural and urban areas of four states; and interviewed stakeholders representing consumers, local and state agencies and officials, and various segments of the industry.

What GAO Recommends

FCC should assess whether expanding original data collection of wireless industry inputs and outputs—such as prices, special access rates, capital expenditures, and equipment costs—would help the Commission better satisfy its requirement to review competitive market conditions with respect to commercial mobile services. FCC took no position on GAO's recommendation, but provided technical changes to this report that were incorporated as appropriate.

[View GAO-10-779 or key components.](#)
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TELECOMMUNICATIONS

Enhanced Data Collection Could Help FCC Better Monitor Competition in the Wireless Industry

What GAO Found

The biggest changes in the wireless industry since 2000 have been consolidation among wireless carriers and increased use of wireless services by consumers. Industry consolidation has made it more difficult for small and regional carriers to be competitive. Difficulties for these carriers include securing subscribers, making network investments, and offering the latest wireless phones necessary to compete in this dynamic industry. Nevertheless, consumers have also seen benefits, such as generally lower prices, which are approximately 50 percent less than 1999 prices, and better coverage.

While views differed among stakeholders, some carriers and consumer groups perceive certain FCC wireless policies as having prevented the entry and growth of small and regional carriers, though it is difficult to assess some of these issues without better data. In particular, many stakeholders outside of the top national carriers who we spoke with noted that policies for making spectrum available for commercial use, as well as policies governing some essential elements of wireless networks, favor large national carriers, potentially jeopardizing the competitiveness of the wireless industry. One such essential element is special access to infrastructure that connects cell phone towers to wireline phone networks. Better data on rates governing those elements would clarify the extent to which competition is hindered. Additional data are also necessary to determine whether consumers are hindered from moving between wireless carriers by particular industry practices. Many small carriers and consumer groups perceive early termination fees associated with wireless service contracts and exclusive handset arrangements as creating switching costs that serve as barriers to consumer movement.

FCC uses three strategies to oversee and monitor competition in the wireless phone industry: reviews of proposed mergers, investigations of competitive challenges, and its annual wireless competition report to Congress. In assessing mergers, FCC balances potential public interest benefits and harms. FCC has also undertaken a variety of investigations and inquiries related to competitive challenges, generally in response to complaints. The primary tool that FCC uses is the annual wireless competition report. While FCC recently undertook steps that significantly improved this report, it still does not fully assess some key industry inputs and outputs. FCC generally has not collected data on many industry investments or consumer switching costs because of the complexity and burden associated with gathering these data. However, FCC has recently undertaken ad hoc inquiries to collect such data and, despite challenges and costs, this information could help FCC better fulfill its statutory reporting requirement. In particular, additional data could help assess the competitiveness of small and regional carriers, as well as shed light on the impact of switching costs for consumers.