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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

June 5, 2001

President George W. Bush
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

RE: Wireless Spectrum Auctions and Allocations

Dear President Bush,

Thomas Wheeler, President of the Cellular Telecommunications & Internet Association ("CTIA") recently wrote a letter to you, which is highly misleading. The CTIA and other certain business interests want extra spectrum freed up and auctioned off, ostensibly so that wireless carriers providing services in the United States can offer 3G services.

The truth is that they do not need the extra spectrum. The truth is they want to be able to buy it and keep it from their competitors.

In fact, if the FCC and the U.S. government required wireless carriers to use spectrum efficiently, they would not need more spectrum. The government needs to mandate that the carriers adopt technologies that use spectrum more efficiently. That technology is CDMA, a U.S. grown and U.S. owned technology. Instead, the entrenched carriers and especially foreign telecom companies want to use GSM (a European standard) and W-CDMA (a standard adopted not because it is better but so that it is different from the U.S.-created technology). Those other standards require much more spectrum. The conversion of present U.S. carriers to GSM and W-CDMA is not only more costly and uses more spectrum, but is intended primarily to benefit European handset makers and infrastructure manufacturers and Japanese carriers to the disadvantage of U.S. based and owned enterprises.

Moreover, this plays out in the purchases of equity interests in U.S. carriers and outright buyouts, which will occur with greater frequency in the next few years. The foreign firms, instead of competing in the U.S. market, are buying existing U.S. carriers, in part, to expand the use of the European technology. DoCoMo's recent purchase of a large equity stake in ATT&T is a recent example; it is using its financial clout in order to expand its technology. Government regulators have not sufficiently considered the implications for U.S. competitiveness in the past.

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To wrest spectrum from the Department of Defense and other users, to sell it off to carriers, at this point in time will cause the following: As has occurred in Europe, carriers will pay exorbitant sums of money to buy the spectrum and keep it away from their competitors. Telecom carriers already have enormous debt loads and they will become more vulnerable to takeovers from carriers abroad, who then will in effect be buying the spectrum. By releasing extra spectrum, the government will be enabling the spectrum hogs of Europe and Japan, which in the long run will hurt the consumer and U.S. based businesses.

The best policy is to refuse to auction additional spectrum and force carriers that want to offer 3G services to do so in the existing spectrum, which they may easily and more cheaply do with cdma1x and cdma2000 rather than GSM and W-CDMA. The American consumer will benefit because the services will cost the carriers less to provide, and spectrum can be saved for pressing uses that arise in the future. The carriers will benefit because the companies will not have to create as great a debt load and their interests will not be diluted as the companies attempt to raise additional equity capital. With less capital requirements, there will be less incentive for consolidation and therefore there will be a greater number of carriers competing, which also will keep prices down.

I urge you, Mr. President, not to be swayed, but to look at the long-term good of American consumers and American competitiveness and not allow additional spectrum to be sold off. I might also suggest that when spectrum is auctioned, that there be an annual royalty fee, so that the carriers will have an incentive to maintain maximum efficiency in the use of the spectrum.

Sincerely Yours,

Harold I. Nadel, M.D.