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Current Telecom Developments

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FCC Proposes Elimination Of Radio-Television Cross Ownership Rule

In a notice of proposed rulemaking (NPRM), the FCC again took up the contentious issue of media ownership, proposing, among other things, to eliminate current rules that limit the number of commercial radio and television stations that a single entity may own jointly in a given market. The FCC also proposed to loosen long-standing rules that prohibit cross ownership of broadcast and newspaper outlets that serve the same market. Adopted last Thursday, the NPRM represents the capstone of the FCC's latest effort (begun a year ago) to review its media ownership rules on a quadrennial basis as directed by Congress. The NPRM also addresses issues raised by the Third Circuit Court of Appeals in its 2008 decision that vacated or remanded various tenets of the FCC's 2007 order on media ownership as well as a related order, issued by the FCC in 2008, that pertains to media diversity. In concluding tentatively that repeal of the radio-television cross ownership prohibition is justified, the FCC cited studies showing that retention of the rule is unlikely to "negatively impact the amount of local news available to consumers or the diversity of such programming." Citing marketplace changes, such as the proliferation of web-based news sources and mobile news applications, which have promoted diversity in media voices and have offered the public additional choices for accessing news-related content, the FCC said retention of its current rules on local radio and television ownership would sufficiently protect media diversity and localism. Although the FCC decreed that retention of its newspaper-TV cross-ownership rule is still needed to promote diversity of media viewpoints, it sought comment on its tentative conclusion that waivers of that rule could be granted presumptively, under certain conditions, in the top 20 television markets. In addition to requesting public input on the extent to which local news service (LNS) and shared services agreements (SSAs) should be considered attributable for the purposes of media ownership, the NPRM also invites comment on how the media ownership rules "can promote greater minority and woman ownership of broadcast stations." In partial dissent, outgoing FCC Commissioner Michael Copps warned that waivers of the newspaper-TV cross ownership rule would result in "fewer voices in the community, less localism . . . and steep transactional costs that all too often lead to downsized or shuttered newsrooms." Applauding the FCC's efforts, the National Association of Broadcasters proclaimed that, "given the explosion of media outlets, we believe the nearly 40-year-old ownership rules that restrict free and local broadcasting ought to be reformed to reflect today's hyper-competitive marketplace."

White Space Bands Opened For Use With FCC Approval Of TV Bands Database System

The FCC cleared the path for usage of television "white space" spectrum next month with approval of the Spectrum Bridge TV bands database system. That system will be used to

coordinate unlicensed white band transmissions within any given area to prevent interference with adjacent broadcast television licensees and users of wireless microphone systems. Announced late last Thursday, the FCC's action has been long anticipated by proponents such as Google and Microsoft that have been eying the white space bands as a key platform for a new generation of wireless broadband devices and by wireless carriers that aim to use the bands to supplement increasingly scarce supplies of spectrum considered suitable for broadband use. Under the FCC's rules, unlicensed devices that use the white space bands must connect with an authorized database system to obtain a list of channels that are available for operation at their given location and must operate only on those channels returned by the database system. As authorized by the FCC's Office of Engineering and Technology (OET), the Spectrum Bridge system will operate initially in the Wilmington, North Carolina market starting on January 26. Pending completion and activation of FCC facilities for processing requests for protection of unlicensed wireless microphone operations, operation of the Spectrum Bridge system will be extended nationwide at a later date. The OET also approved a device, developed by Koos Technical Services, Inc., as the first product authorized for unlicensed use in the TV white space bands. Predicting that the FCC's decision to open the white space bands "has the potential to exceed even the many billions of dollars in economic benefit from Wi-Fi," FCC Chairman Julius Genachowski declared: "we are taking an important step towards enabling a new wave of wireless innovation."

Private Equity Firm To Acquire Orange Switzerland

France Telecom (FT) advanced its strategy of shedding non-core assets with an agreement to sell its Swiss mobile phone unit, Orange Switzerland (OS), to British buyout firm Apax Partners for €1.6 billion (US$2.1 billion). Announced last Saturday, the pact follows on a strategic review of non-domestic businesses that was launched by FT last spring. The sale to Apax was also hailed by analysts as a positive development in what has otherwise been a lean year for private equity deals in debt-stressed Europe. FT's decision to withdraw from the Swiss market follows on its earlier unsuccessful attempt to merge OS—the smallest of Switzerland's three wireless operators with 1.6 million subscribers and a 17% market share—with Sunrise, a larger rival. (Swiss regulators rejected that deal last year on grounds that the transaction would leave only two wireless carriers—former state monopoly Swisscom and the merged entity—to serve the market.) The deal values OS, which recorded 2010 revenues of €1.1 billion, at 6.5 times its estimated 2011 earnings before interest, taxes, depreciation and amortization. As FT asserted that the agreement "[marks] a major step in the optimization strategy of [the] France Telecom-Orange asset portfolio, Apax—which already counts Dutch operator TDC and Israel's Bezeq among its telecom-related assets—described the wireless sector as a "key investment area." The transaction remains subject to regulatory review in Switzerland, and members of the FT board are expected to approve the deal next month.

China Launches Rival To GPS Network

China entered the global satellite navigation ring this week with the operational debut of Beidou, a navigation network that is expected to rival the U.S. global positioning system (GPS). Beidou, which translates into "Big Dipper" in Mandarin Chinese, has been under development since 2000 and currently boasts ten satellites in orbit that include one launched this month. Ran Chengqi, the director of China's satellite navigation system office, told reporters that Beidou began offering positioning, navigation and timing services to users in China and in "surrounding areas" on Tuesday. Six additional satellites are scheduled for launch next year to expand Beidou's coverage throughout Asia, and the network is slated to offer global service by 2020 through a network of 35 satellites. Among satellite navigation systems in operation, Beidou joins Russia's Glonass as well as the U.S. GPS system. Work is also continuing on the European Galileo system, which deployed its first satellite in October and is expected to be complete by 2019. (Lockheed Martin, meanwhile, is developing upgrades to the 30-satellite GPS network that entered operation in 1995.) Although Ran emphasized that Beidou will offer civilian services that can be used in conjunction with telecommunications and a variety of other commercial applications, U.S. defense experts point out that the system could enable China to identify, track and target U.S. ships in the event of an armed conflict. Playing down such concerns, Ran spotlighted Beidou's interoperability with other global navigation systems as he further encouraged Chinese and foreign entities to develop terminals that could use the network.

DoCoMo, Electronics Firms To Form Wireless Chipset Venture

With the goal of decreasing their reliance on outside suppliers while establishing a competitive presence in the international market for wireless chipsets, Panasonic, Fujitsu and NEC Corp. of Japan joined forces with DoCoMo—Japan's dominant wireless carrier—and with Samsung Electronics of Korea to form a joint venture that will develop technologies for wireless smart phones designed for use on fourth-generation, long-term evolution (LTE) networks. DoCoMo is expected to take the largest stake in the venture, which will be established by late March, with the holdings of all stakeholders to be determined by that time. DoCoMo, which is currently upgrading its third-generation wireless network for LTE, will work with the other venture participants in developing compact, low-power consumption chip sets and semiconductor products for smart phones in response to burgeoning worldwide demand for mobile data applications. Products developed through the venture will be sold in markets globally in competition against Qualcomm, Inc., the San Diego-based chip maker that currently dominates the world market for advanced wireless chip sets with a 36.8% market share in terms of revenue. (According to statistics supplied by research firm HS iSuppli, Taiwan's MediaTek, Texas Instruments of the U.S. and Infineon Technologies of Germany follow Qualcomm with global market shares of 16.5%, 12.9%, and 9.4%, respectively.) A spokesman for Samsung, a major player in the semiconductor industry that has had little presence to date in the global chipset sector, predicted that his company's strengths in design and power saving technologies would help the venture to achieve competitive inroads. Members of the venture declined to predict, however, when the venture's first chip sets would be produced.

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****HAPPY NEW YEAR!****