

# EMMS<sup>®</sup>

## ELECTRONIC MAIL & MESSAGING SYSTEMS



Market Analysis, Breakthrough Technologies, New Products & Innovative Applications

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### With Broadband Services Growing, Unified Messaging Gains Importance

**T**hough Voice over Internet Protocols (VoIP) is being touted as the next generation technology for delivering messaging and other data services integrated with voice applications, several technical experts making presentations at the recent ComNet conference and expo in Washington, D.C., think it will be several years before this becomes a viable platform. Laura Knapp, a self-described technology evangelist and corporate networking spokeswoman for IBM Corp., predicted that by 2007 or 2010, "all traffic will be over an IP infrastructure."

"Voice over IP is definitely coming," she said. But the larger the company, the slower the rollout, due to the complexity of marrying so many systems under the new technology.

As announcements poured out of the conference and eager companies held press conferences and private interviews with media representatives, one might get the idea that 18 months to two years is more realistic. There are software developers already banking on large revenue potential from early adoption.

One such company is little-known Digiquant, formerly Belle Systems, a company that had been positioned in the billing and customer care segment but which is reinventing itself with a U.S. office and marketing campaign as a self-described provider of Internet management systems through its IMS initiative, a multi-service platform that enhances a service provider's quick and seamless deployment and management of new services. Digiquant is targeting Internet access providers (dial-ups, DSL, cable, fixed and mobile wireless, satellite), backbone providers, content providers (ASPs, e-commerce and m-commerce services, WAP-enabled services) and aggregators (Internet and wireless portals).

Digiquant's main focus is integration software for IP-based functions. It has developed a VoIP platform, and plans to leverage that

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### MIRAPOINT FIRST OUT OF BLOCK WITH BENCHMARK RESULTS ON ITS MESSAGING SERVER PERFORMANCE

Cognizant of the need for a "level playing field to cut through the hype," Robert Hamilton, director of market development at Mirapoint Inc., told EMMS, the provider of electronic messaging infrastructure equipment was the first in its industry to test its product against the SPECmail2001 benchmark and publish the results. In fact, the day SPECmail2001 (EMMS, Jan. 26, p. 2) was announced by the nonprofit organization that establishes, maintains and endorses standardized benchmarks for high-performance computers – Standard Performance Evaluation Corp. (SPEC) (<http://www.spec.org>) – was the same day (Jan. 24) Mirapoint (<http://www.mirapoint.com>) released the results of the standardized benchmark that measures mail-server performance using a real-world workload.

Mirapoint's product can handle 2,000 messages per minute. This equates to the load handled by an Internet service provider with 400,000 users. As Hamilton explained to EMMS, "an ISP will get 15 percent of the total load in a single hour, the peak load," hence putting the benchmark stress test on the equipment mimics the heaviest use an ISP might experience on its equipment. The benchmark's initial performance results are posted at <http://www.spec.org/osg/mail2001/>.

SPECmail2001 was designed and implemented by Compaq, Mirapoint, Openwave Systems and Sun Microsystems. Netscape Communications Corp., Critical Path Inc., SGI, IBM Corp., Hewlett-Packard Co. and the University of Pavia (Italy) also have contributed to its development in recent years. Hamilton said all participants "had the same benchmark at the same time – but this [Mirapoint's quick test and results publishing] proves that the appliance approach to messaging offers superior time to market." It's better than the application software approach, he reiterated.

It enables performance evaluations for systems supporting the Post Office Protocol (POP3) and Simple Mail Transfer Protocol (SMTP). It is designed for Internet service providers (ISPs) and company IT departments that require performance data to support mail-server purchase decisions. Tests for Internet Mail Applications Protocol (IMAP) will be developed this year.

Additional information on SPECmail2001 is available in the FAQs document at <http://www.spec.org/osg/mail2001/docs/FAQ.html>.

now that R&D has been spent on it by offering additional services to companies that are transitioning to VoIP or adding that functionality to their existing services. Digiquant executives who spoke with EMMS, President and CEO Erik Froberg and Senior Vice President for Product Management and Marketing Thomas Pedersen, think large incumbent telcos are going to make serious investments in VoIP as the next new technology.

The core Digiquant IMS service framework functionalities are in authentication, rating, provisioning, billing and customer care (CRM). It builds service modules such as Internet mail, WAP, Internet dial access and VoIP calling cards to sit on top of that. As new services are requested by existing customers, its suite of module offerings expands.

Froberg said he is eyeing the next big money-maker as being Virtual Private Networks (VPNs),

which were the topic of a Comnet session another day on "Data Networking Trends" presented by AT&T Data Services Director Jim Daugherty. Daugherty focused on MPLS, multiprotocol label switching, as the enabler of new VPN capabilities. VPN resources "are occupied only while information is transiting the network." VPNs, carrier-provided, mimic the qualities of private lines with services over public switched networks. This also will lead to the "enhanced deployment path to 3G [third-generation wireless services]." Verizon Wireless's Dennis Strigl (see story, p. 15) told audience members during a Feb. 1 keynote speech that "wireless as an adjective will disappear – as wireless becomes the de facto method of communication. We will substitute your wireless handset for your landline phone."

If this all happens as the experts say, messaging will realize its potential shortly.

## Internet/E-Commerce

### Email Marketing Expected From Traditional Advertisers

The stagnant online advertising market, now consisting mostly of staple dot-com ads, should rebound in the next few years as traditional U.S. advertisers develop digital marketing strategies that include email and promotions as well as online advertising, according to a report from Forrester Research Inc.

The report, "Online Advertising Eclipsed," states that U.S. companies will spend \$63 billion on digital marketing campaigns annually by 2005, compared to \$11 billion in 2000, while worldwide advertisers will spend \$42 billion on online advertising alone. Online marketing per company will rise from \$550,000 this year to \$1 million in 2003.

"Online advertising's current swoon won't last," said Jim Nail, senior analyst at Forrester. "The dot-com tide has begun to ebb – while dot-coms accounted for 69 percent of digital marketing in 2000, by 2005, traditional advertisers will embrace it, driving 84 percent of digital marketing. But the recovery won't begin until marketers master integrated digital marketing techniques."

Forrester expects traditional advertisers will learn that online advertising is one stage of a marketing campaign and will augment budgets for promotions and email. These advertisers will comprise 12 percent of all marketing dollars by 2005.

Companies will embrace digital marketing in three waves. "Early movers," or firms that started advertising online before 1999 such as automobile sales and financial services providers, accounted for 16 percent of offline marketing in 2000. These companies plan to shift 25 percent of their overall marketing budget online over the next five years and will represent 32 percent of all digital marketing spending by 2005.

#### GETTING IN TOUCH

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#### OHIO LOOKING AT EMAIL ADVERTISING CONTROL

The Ohio Senate Economic Development, Technology, and Aerospace Committee has scheduled a Feb. 13 hearing on a bill to prohibit the transmission of unsolicited email advertisements. The hearing is scheduled for 11 a.m. in the Senate's South Hearing Room. Under SB 8, the recipient of an email advertisement transmitted in violation of the legislation could bring a civil action against the violator. The recipient could recover actual damages or \$10 per email advertisement and attorney's fees and court costs.

The committee held its first hearing on the bill Feb. 6, during which its sponsor, Sen. Ron Amstutz (R-District 22), testified. The committee will hold at least three more hearings on the measure. Many different parties have expressed interest in SB 8, but no one has come out in strong opposition or support of it, the staff member said.

Mainstream advertisers that have waited to see how the market develops will begin to market online in 2002, reacting to increased spending by their early adopting competitors. They will spend only 10 percent of their marketing budgets online, but that will comprise 41 percent of all digital marketing by 2005.

Manufacturers of low-consideration products, such as soft drinks and household cleaners, also will begin Internet marketing campaigns in 2002. This group will account for only 11 percent of digital marketing in 2005.

When looking at online advertising on a global basis, regions outside North America represented only 16 percent of online advertising in 2000, and only 27 percent of the \$42 billion worldwide online advertising market in 2005. European online advertising will grow ninefold to \$6 billion by 2005, but high access charges, lower technology adoption rates and lower per capita ad spending will hamper European online advertising growth when compared to U.S. spending.

The Asia-Pacific region's online ad spending will rise to \$4.5 billion in 2005, powered primarily by the Japan and Australia advertising market. The Latin America market enjoyed a temporary

#### CONNECTICUT LEGISLATOR WANTS ISP CUSTOMER CREDIT FOR EMAIL DOWN TIME

Rep. Ruth C. Fahrback (R-District 61) has introduced HB 5797, which would require Internet service providers (ISPs) to reimburse or credit their customers for toll charges and fees when the ISP's email server isn't available. The bill has been referred to the General Law Committee. The measure's text is available at <http://www.cga.state.ct.us/2001/tob/h/2001HB-05797-R00-HB.htm>.

Internet boom in 2000 as it experienced a flood of foreign investment, the spread of free Internet service providers and the emergence of dot-com entrepreneurs. Online ad spending in Latin America will continue to grow to \$1.2 billion by 2005.

#### Mid-Size Advertisers Reign

In another report on online marketing, a new AdRelevance survey corroborated that most online advertisers are small and mid-size companies that tend to be dot-coms. However, the number of large companies – companies with quarterly sales of \$500 million or more – providing weekly online ad impressions grew from 30 million to 37 million in the fourth quarter of 2000.

Large companies bought an average of 135 million impressions in the fourth quarter of 2000, compared to the 167 million impressions bought by small companies – firms with quarterly sales of \$75 million or less. Amazon.com Inc. bought the highest total impressions of any large company, at 6.2 billion, followed by Microsoft Corp. (4.1 billion), MSN (3.2 billion) and America Online Inc. (2.6 billion).

#### AT&T OPENS DATA CENTER NEAR D.C.

AT&T Jan. 30 announced it has opened an Internet data center in the Washington, D.C., metropolitan area. The 105,000 square-foot facility, which is located in Ashburn, Va., provides end-to-end Web hosting services for enterprise customers, content providers, start-ups and dot-com companies, AT&T said. AT&T operates 15 data centers around the nation, with more than 1.2 million square feet of conditioned Web hosting space. AT&T said it hopes to construct an additional six centers later this year.

Dot-com companies of all sizes bought more impressions than traditional companies of equal size. Mid-size dot-com companies led the way with an average of 453 million impressions purchased during the fourth quarter of 2000.

“Market weary sites have been hoping for the larger, big budget advertisers to jump into the deep-end of the online advertising pool, but the latest AdRelevance data indicate only a gradual increase in online advertising from large companies,” said Charlie Buchwalter, vice president of media research for AdRelevance. “Dot-coms have been guiding the online ad industry since its inception and the mid-size dot-coms, whose customers are online, are continuing to lead.”

Forrester Research:  
<http://www.forrester.com>

AdRelevance:  
<http://www.adrelevance.com>

## Industries Look for Ways To Implement E-SIGN Law

By Marvin V. Greene  
Contributing Editor

A new federal law authorizing the use of electronic signatures in contracts and other documents is creating a flurry of activity in several industry sectors seeking to take advantage of the law and advance their e-commerce initiatives. Of course, this adds to the importance of messaging platforms to deliver such documents. The NetPost.Certified initiative by the U.S. Postal Service (EMMS, Jan. 26, p. 1) is just one permutation of the application of the new law.

The Electronic Signatures in Global and National Commerce Act (E-SIGN), signed into law last summer, advanced exponentially the use of online and electronic contracts signed with electronic signatures by standardizing their use for interstate commerce. Previously, most states had adopted their own e-signature procedures, but methods and standards were varied and inconsistent. The E-SIGN law, in effect, tidies up all the efforts of the states.

“It has laid a foundation and it raised awareness so that people will say, ‘I don’t have to worry whether it’s legal or not,’ “ said Toby Brown, vice president of strategic initiatives for iLumin Corp.

of Utah, which offers infrastructure that helps organizations deliver automated enforceable on-line transactions.

Industry sectors – including real estate, financial services, insurance, health care and government – are scrambling now to find the best ways to implement procedures under the law. Procedural, security policy and technology questions loom, but organizations are rushing to get going, observers told EMMS. Already several organizations have launched pilot programs.

“When I look back on where we were 10 years ago, I never would have believed where we are today,” Stephen Bisbee, president and founder of Baltimore, Md.-based eOriginal Inc., an enabler of digital e-commerce transactions, said about the rise of e-signatures.

In fact, the law last year moved through Congress and the White House so dynamically, “it really surprised a lot of people. It caught a lot of people in the industry flat-footed,” Bisbee added. The law is spurring demand for devices like signing pads and software tools to enable the execution of transactions, e-documents, archival systems and public key infrastructure (PKI).

Organizations, after surviving the Y2K distraction, now are refocusing their information technology (IT) budgets on building e-commerce infrastructure, iLumin’s Brown said. “The E-SIGN legislation was very well-timed,” he said. “We see in the next six to nine months that this is going to ramp up and take off.”

Bisbee added: “It has caused some dramatic reactions. I think it’s going to accelerate faster than I had expected. A year ago, I would have said this would take two or three years, but I think you’re going to find quite a large segment of electronic transactions occurring this year.”

Companies like iLumin and eOriginal, for instance, are offering their own proprietary applications, and other companies are partnering to speed solutions. iLumin’s Digital Handshake Server technology contains an “online signing room,” where verified participants to a transactions can originate, review, modify and digitally sign documents.

eOriginal is pushing its Electronic Original process, which creates unique, identifiable and unalterable source records in electronic form.

Michael H. Jordan, former chairman and chief executive officer of broadcaster CBS Corp., is chairman of eOriginal.

The various industry sectors seeking solutions believe the use of e-signatures will help them reduce costs and increase market share because it will speed up the execution of contracts and other documents such as purchase orders, leases, bills, promissory notes and receipts. Documents exempted from the law include wills, divorces and adoptions.

What E-SIGN did was to “level the playing field between electronic and paper media,” eOriginal’s Bisbee added. “It has caused some dramatic reactions. I think it’s going to accelerate faster than I had expected. A year ago, I would have said this would take two or three years, but I think you’re going to find quite a large segment of electronic transactions occurring this year.”

#### E-SIGN vs. UETA

Prior to the Oct. 1 effective date of the E-SIGN law, states, which oversaw the execution of legal contracts, had created a fertile ground for using e-signatures. About half of the states in 1999 had adopted provisions of the Uniform Electronic Transactions Act (UETA), which had been recommended by the National Conference of Commissioners on Uniform State Laws. While E-SIGN and UETA are similar, UETA provisions lacked consumer protections, consistency among the states and uniformity over interstate commerce.

For instance, consumer advocates like the stronger language in E-SIGN that requires a specific electronic consent process before an electronic document can replace a legally required written one. In short, the electronic document must be proven before it can be executed, whereas in the UETA provisions the two parties only have to agree to it.

The mortgage industry sector is moving ahead quickly to determine how it can benefit from the E-SIGN law in real estate transactions. “They’re looking very hard at what solutions are available, what it costs to implement them, what are the benefits to their business in being able to do this and how do they get ahead,” Bisbee said.

The E-SIGN law will impact all segments of mortgages – loan origination, underwriting, title insurance and closing, Bisbee added. Mortgage

## RECENT DIGITAL SIGNATURE ACTION IN STATES

- Missouri state Sen. Peter D. Kinder (R-District 27) late last month introduced SB 220 to make electronic transactions as legally binding as paper transactions if the parties involved agree to conduct business electronically. SB 220 also would repeal the Missouri Digital Signatures Act. Certain types of transactions still would have to occur manually. The proposed bill, for example, wouldn't supersede laws that govern the creation and execution of certain types of documents, such as wills, codicils or testamentary trusts. It has been referred to the Senate Committee on Commerce and Environment.
- Oklahoma state Rep. Fred Perry (R-District 69) has prefiled HB 1322 to allow state agencies to adopt their own rules governing the use of digital signatures. The rules would have to meet or exceed the rules adopted by the secretary of state. The bill wouldn't require any person to use or permit the use of electronic or digital signatures. HB 1322 would set up certain requirements for citizens to become certification authorities in Oklahoma. The applicant would need to register with the secretary of state and pay a filing fee. Additionally, the applicant would need to provide the secretary of state a bond, certificate of insurance, or other evidence of financial security in the amount of \$100,000.
- The Oregon House Advancing E-Government Committee has approved HB 2040 to require the Department of Administrative Services to adopt rules for digital signature use by state agencies. The Joint Legislative Committee on Information Management and Technology requested HB 2040 on behalf of the Oregon Internet Commission. HB 2040 awaits consideration on the House floor.
- New Mexico state Rep. Al Park (D-District 26) has introduced HB 232, which would create a Uniform Electronic Transactions Act to provide a legal structure for transacting business over electronic media. The measure has been referred to the House Business and Industry Committee.
- A bill designed to enact the Uniform Electronic Transactions Act (UETA) has cleared the Mississippi Senate. SB 2678, sponsored by Sen. Neely C. Carlton (D-District 22), aims to facilitate e-commerce by giving electronic records and signatures the same legal effect as their pen and paper counterparts. In addition to enacting the UETA, SB 2678 would repeal the sections of Mississippi Code that make up the Digital Signature Act of 1997.
- Hawaii state Rep. Eric Hamakawa (D-District 3) has introduced a bill this month to extend the offense of forgery in the second degree to include the unlawful use of the signature device of another individual to create an electronic signature of that person. HB 154 would add the offense to the state's Uniform Electronic Transactions Act. HB 154 awaits consideration by the Consumer Protection and Commerce Committee and the Judiciary and Hawaiian Affairs Committee.

companies believe the law not only will allow them to lower expenses and capture additional market share, but these savings also will prevent them from losing market share to competitors. "The cost savings of being able to process and originate that loan will be passed on to the consumers," he said.

Helping to drive the market for electronic contract documentation is the E-SIGN law's flexibility. The legislation does not endorse a specific authentication technology, whether it is standard electronic signatures, public key certification or biometrics.

"People are now spending a lot of time trying to get educated on the myriad technologies that

could potentially satisfy the requirements" of the E-SIGN law, said Patty Edfors, director of government and mid-Atlantic operations for Baltimore Technologies Ltd., a Dublin, Ireland-based e-security solutions provider.

### Making a Choice

Organizations must consider whether to develop their e-signature programs around electronic signatures or the more complex digital signatures, which involve PKI. "There is a whole area of electronic records management that is being explored as well," Edford said.

"In addition to figuring how you want to digitally sign something or electronically sign

something, you have to figure out how you retain that record and how long retention needs to be. Everybody has different views on that. That is taking a fairly long amount of time because there are a lot of management decisions to be made," Edford continued.

These parameters for retaining electronic documents will vary, depending on a particular business's practice and type of contract, rather than depend on the will of a particular industry segment, Edfors said. For instance, in business-to-consumer situations, consumers likely will accept the technology given them when they agree to an electronic contract. However, in business-to-business interactions, both sides will need to agree on what technology to employ, such as with a mortgage company and title company, she added.

Brown of iLumin said the real estate industry may favor digital signatures rather than electronic signatures because it must retain records for several years.

While electronic signatures can occur simply when parties commit themselves to an agreement and generally are less secure, digital signatures are "tied to the identity of someone," Brown said. "The digital signatures provide a very high level of ensuring that we have indeed the same document that was signed 20 years ago."

## 68.6 Million Online Users Recorded at End of 2000

### High-Speed Access Gaining Popularity

By Gary H. Arlen  
Senior Contributing Editor

In the online universe, the year 2000 ended amid an avalanche of somewhat contradictory developments that promise to overhaul the Internet access business during the months ahead. Among the key factors in the evolving Internet service provider (ISP) arena during the fourth quarter of last year:

- The short-lived "free ISP" fad came to a screeching halt with the demise of several suppliers and an overhaul in the packaging for the few remaining operators.
- Digital subscriber line (DSL) customers doubled in number during the last three

months of 2000, despite devastating setbacks confronting several independent DSL providers.

- Cable modem Internet access growth slowed as Road Runner's fate remains unclear and several smaller system providers struggle through reorganizations.
- So-called wireless Web services – a much-hyped Internet access route not widely used yet – remain a "future opportunity."

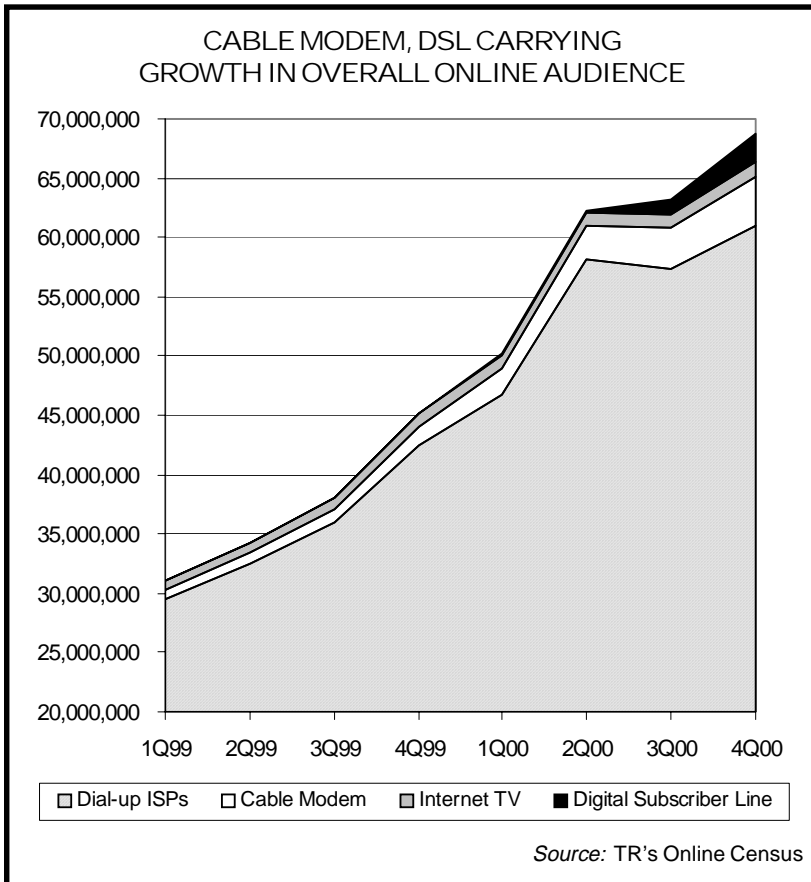
The year ended with just under 69 million households (68.7 million) using the access services of major U.S.-based ISPs, as tallied by TR's Online Census, a sister publication of EMMS. That represents quarterly growth of 8.59 percent – more than 5,400,000 customers – from October through December and 52.4 percent above the 45.2 million customers a year earlier. The net addition of 23.5 million online subscribers during 2000 marks the largest one-year growth in the ISP customer base since this census began 20 years ago.

Despite business problems in both the DSL and cable modem sectors, these high-speed services continue to attract enthusiastic customers. Collectively, the two groups of providers now reach about 6.5 million users – just over 9.5 percent of the total ISP customer base.

America Online's (AOL's) share of the subscriber base remains at 39 percent, the same ratio as three months ago, indicating that AOL is growing at the same pace as the overall industry. As a sign of its aggressive marketing efforts, AOL added 1 million users between Dec. 12, 2000, and Jan. 16, 2001 – a record upward spike in its user base. On Christmas Day 2000, more than 56,000 U.S. and 14,000 international subscribers

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signed up for service, breaking AOL's previous single-day subscriber uptick, which happened to be Christmas Day 1999. The latest one-day sign-on bonanza involved 30 percent more new accounts than on the previous year's same-day tally.

The failure of the free ISPs demonstrates that customers were ignoring the ad-supported providers because they didn't want service for free (you get what you pay for, in other words). With subscription priced at zero not a factor, the price point for willingness to pay for access will be tested should AOL make its anticipated move.

As for usage, AOL members are averaging more than 65 minutes on the service daily. The company said it now is handling more than 2 million simultaneous users during peak periods.

#### Shakeout Sends Customers Scrambling

The quick demise of the ad-supported "free" ISP business model has left more than 15 million "active" customers searching for new access providers. CMGI subsidiary Alta Vista has completely abandoned its free ISP service and

has cut off its approximately 3 million users. This comes on the heels of a 25 percent staff reduction – and even Alta Vista's future as an Internet portal remains uncertain. Another CMGI entity, 1stUp.com – which actually provided the network connection for Alta Vista and other free ISPs – also has closed its doors. 1stUp.com has been unable to find a buyer for its remaining assets. Its 130 partnering arrangements will each form their own transition and support plans for their customers.

Alta Vista has recommended to its customers that they voluntarily take their business to MSN, which is offering Alta Vista customers three months of free dial-up service access or free DSL modem and installation (with free dial-up service during the wait time). Alta Vista now plans to focus on business-to-business search technology.

Meanwhile, Spinway, another free ISP with more than 6 million subscribers, was taken over by its largest customer: BlueLight.com, the service backed by Kmart Corp. The revamped BlueLight.com maintained unlimited free operations through the Christmas holiday shopping season. It is now in the process of restructuring – starting with a 25-hour-per-month limit on free usage. Those who go over the limit will not have service the rest of the month. Customers eventually may be charged a fee, although no details are yet available.

The only remaining major free ISPs are NetZero and Juno. Just before Christmas, NetZero said it will begin charging subscribers who exceed 40 hours online per month, although it has not yet set its pricing. Juno has restrictions on its free users. While they are not abruptly cut off, they do receive warnings and are strongly encouraged to switch to one of Juno paid subscription services.

In November, NetZero acquired the assets of Freeinternet.com ("freei") after that company had filed for Chapter 11 bankruptcy a month earlier. Under terms of the agreement, NetZero paid freei \$5 million in cash for freei's domain names, proprietary rights, some tangible assets and the transition of freei users to NetZero.

NetZero filed a patent infringement lawsuit against Juno in U.S. District Court in Los Angeles. Juno denies the allegation, which involves the technology used in NetZero's on-screen advertising.

Though not listed on the current TR's Online Census as a major provider, we will report that IDT Corp. is abruptly abandoning the low-end dial-up ISP business at the end of this month. It has offered a flat-fee \$9.95 per month unlimited access service since October, after dropping a previous partnership with free ISP FreeAtLast.com, now defunct. IDT Chief Executive Howard Jonas said the free Internet model was "not viable" – and now it turns out the cheap ISP approach also does not work. IDT is offering a free email forwarding system through June for customers to use after the service goes dark on Jan. 31.

IDT's dial-up presence dates back more than a decade to its acquisition of the General Electric Information Services Co.'s "GEnie" online service (a service previously listed on TR's Online Census). IDT always has guarded its user numbers closely. The company, which is concentrating on its Net2Phone Internet telephony service, said it will offer refunds for unused, pre-paid ISP customers.

AT&T is trying to acquire customers who may need a new ISP, especially the millions who have been "stranded" with the demise of the free ISP model. With its new advertising and pricing structure, AT&T may be helped by the free ISP failures. Its WorldNet is now being offered for as little as \$4.95 per month for 150 hours of access, a low-priced iteration that has constant online personalized advertisements. The higher priced tiers (\$14.95 and \$21.95) offer fewer ads, more online access time and more customer support. While other ISPs are focusing on the quality of their networks their service and their content, AT&T is talking price. AT&T WorldNet said it has picked up customers as the free ISPs abandoned service last fall autumn.

### New Access Methods Coming?

As the wireless Web gains in hype and interest, AOL rolled out its "AOL Mobile Communicator," a two-way BlackBerry pager that allows mobile email and instant messaging. Gateway also launched its hand-held wireless paging/email device, "CompanionWare."

MSN is trying to develop its non-dial-up offerings. It plans to offer two-way broadband access via satellite and through DSL services, although no details are yet available. Meanwhile MSN Internet Access is setting up an unusual retail alliance with another Seattle-based firm,

## TOTAL ONLINE CENSUS BY CATEGORY

AS OF DECEMBER 31, 2000

	Number of Customers	Growth during 4Q 2000
Paid Dial-Up ISP	46,097,054	9.15%
Free ISPs (active subscribers)	14,850,000	1.36%
ALL Dial-Up ISP subscribers	60,947,054	6.29%
Cable Modems	4,178,550	19.21%
Internet TV	1,200,000	5%
Digital Subscriber Line	2,357,500	86.47%
TOTAL	68,683,104	8.59%

Copyright: TR's Online Census

Starbucks, the coffee merchant. The two companies will develop wireless broadband content and services, offered in Starbucks stores through a system that MobileStar Network will provide.

People PC has teamed with Lycos to offer its services through the Lycos portal. Lycos members who become PeoplePC subscribers will receive two months free service.

EarthLink Inc. insists that it is a "pure Internet company," despite its new cable access system on selected Time Warner Cable systems. Accompanied by a vast TV and print ad campaign, EarthLink is promoting itself as the "#1 provider of the real Internet" – taking a swipe at AOL and other big ISPs. EarthLink plans to put a lot of effort into DSL. EarthLink will add service to wireless (BlackBerry) pagers and other Internet appliances. The company also has signed a deal with DirecPC, a cousin company in the Hughes Communications Co. empire to DirecTV, the satellite video distribution firm.

### Impact of Advertising Fall-Off

As its subscribership heads toward 3 million, Excite@Home, the largest broadband service provider, is focusing on self-installation. A \$29.95 QuickStart Kit is sold at RadioShack, CompUSA and Circuit City stores; it does not include the modem itself. E@H claims the kit requires minimal outside technical assistance.

In a surprise announcement Jan. 23, E@H – which had been expanding its programming efforts,

### ISP GROUP GOES AFTER DSL COMPETITION

The American Internet Service Provider Association has launched a campaign to create competition in the digital subscriber line (DSL) service market. But rather than petitioning lawmakers in Congress to amend the federal Telecommunications Act of 1996, the group is advocating stronger enforcement of existing laws, Executive Director Sue Ashdown said.

Ashdown said lobbying lawmakers to amend the Act only would play into the hands of the Bell operating companies (BOCs), which are seeking to amend the Act to remove restrictions on their provision of in-region interLATA (local access and transport area) broadband services.

She said the best way to boost enforcement efforts is to educate lawmakers about the need for DSL competition. "How DSL providers are being treated is crucial because we're such a growing part of the market," said Ashdown, adding that the survival of the association's ISP clients depends on maintaining reasonable rates in the market for DSL services.

including new alliances with Work.com and MTV to create new business and music channels, respectively – announced a work force reduction of 8 percent, or about 250 people. The cuts come in corporate ranks and among content provision personnel. Broadband access businesses and the staff supporting broadband network operations are not affected, an E@H spokesman said.

At its deadline, TR's Online Census learned in advance of the official announcement that the reduction in force is in response to dwindling online ad revenues, which ties this development back to the demise of the free ISP model, which relied on online advertising.

Excite is now offering an online software service, providing educational and entertainment

software titles on a subscription or pay-per-use basis to its customers nationwide. The company also has signed a cable affiliate relationship with Mediacom that would transition Mediacom customers from ISPChannel to Excite.

### DSL Coming On Strong

Despite cutbacks and slowdowns at Covad and NorthPoint and massive cutbacks at reseller Flashcom, the DSL sector continues to expand. Covad Communications will introduce its own self-install kit by March; the company said that 95 percent of its network easily can be used with the kits – and that will rise to 100 percent of homes by spring. Covad contends that customers can cut off up to 10 days from the installation process by using the self-install systems.

Verizon in December canceled its agreement to acquire a majority share of NorthPoint, citing financial deterioration within the DSL market as its reason for renegeing on the \$800 million deal. Northpoint subsequently sued Verizon in California Superior Court for \$1 billion in damages.

Flashcom laid off 30 percent of its work force and sold thousands of subscriber accounts to Rhythms Net Connections and NorthPoint. Flashcom customers using Rhythms lines will be switched to EarthLink, while those using NorthPoint lines will be switched to Telocity. Flashcom is negotiating a similar agreement with Covad, with whom it also has financial difficulties. Covad has experienced personnel and financial upheaval.

Covad said it has had difficulty collecting from smaller/independent ISPs and is cutting off the smaller ISPs in favor of the larger ISPs that can pay their bills, as well as small businesses and high-end residential customers. Covad also

### AD-SUPPORTED E-MAIL (as of Dec. 31, 2000)

Service	Parent Company	Pricing Options	Users	Growth Since 9/30/00
Hotmail	Microsoft Corp.	free	65,000,000	nc
Juno	Juno Online Services LP	free	11,050,000	nc
NET@address	USA.NET	free	15,000,000	nc
Yahoo!Mail	Yahoo! Inc.	free	156,000,000	nc

nc = no change

Copyright: TR's Online Census

### SBC, COMPAQ DEAL OFFERS DSL MODEMS ON COMPUTERS

SBC Communications Inc. has reached a deal with Compaq Computer Corp. to offer customers a discount on one of three computers that include a digital subscriber line (DSL) modem. The discounts range from \$250 for a low-end computer to \$500 for a high-end computer.

The company also ended a promotion it began last February, which effectively raised the price for DSL by \$10. Customers now will have to pay \$49.95 a month. However, SBC ended its practice of requiring customers to enter into a one-year contract. If a customer decides to sign a one-year contract, the \$99 DSL modem will be provided for free.

is closing 200 of its central offices. Covad is restructuring its business plan due to nonpayment and also to try to capture some of the subscribers left without a provider in the wake of several companies (Flashcom, Zyan, FlashPoint and RelayPoint) going under Chapter 11 bankruptcy protection this quarter.

Covad launched a new program, Covad Safety Net, to assist customers trying to switch their DSL service providers. Customers will not be charged fees if they switch to Covad or one of its resellers. NorthPoint and DSL.net also have laid off 19 percent and 28 percent of their respective work forces.

HarvardNet, a Boston-based DSL provider has discontinued providing DSL and cut 58 percent of its work force to regroup and concentrate on Web-hosting and other services. Those DSL players that have not had layoffs or restructuring (Rhythms and Telocity, for example) are low on cash reserves and their shares are trading at all-time lows. Telocity received an 11th-hour bailout and was acquired by Hughes for \$180 million. Telocity will fit into Hughes' broadband footprint, which currently includes DirecTV.

Telocity entered into an agreement with RealNetworks, the Internet streaming media provider. RealPlayer subscribers can receive a free three-month Telocity test subscription, and Telocity will be featured as a preferred ISP on Real.com's Broadband Locator.

AOL enters the DSL market this quarter in a partnership with Actiontec Electronics. The two have teamed to provide the first-ever DSL modems sold directly to end-users, who then install the modems themselves. The modems are available in Circuit City outlets in several regions throughout the United States.

DSL modems usually are given away by the providers, but AOL's DSL modems retail for \$150 to \$170 each, with AOL rebates covering the entire cost. AOL plans to offer enhanced services to complement the higher speed.

### Looking Ahead

Wireless access services – including satellite-delivered options – still are in the formative stages. In early November, StarBand – the new name for Gilat-to-Home – launched its service in RadioShack stores across the United States and through EchoStar's DISH network.

The growth of ISP access during 2000 – coupled with the increasingly complex infrastructure changes (e.g., the demise of free ISPs and DSL's slow launch schedule) – are reminders of how young and fragile this business is right now. The concepts for future enhancements may need to wait until the current growing pains are resolved.

Free emailers maintained their user bases in the fourth quarter, but as the online subscriber-ship grows each quarter, it is more and more apparent that the free-email accounts are secondary accounts for users who pay for Internet services. It remains to be seen what will happen in this area if the fallen free ISPs do not bounce back.

### Spamming, Wireless Issues Top Burns' 'Tech Seven' Plan

Sen. Conrad Burns' (R-MT) new telecom agenda, the "tech seven," places heavy emphasis on two consumer protection issues – online privacy and "spamming" – and on exploring ways to accelerate the deployment of high-speed Internet access in rural areas. The package is

### HAWAII LEGISLATORS EYE 'CYBERSQUATTING' RULES

Hawaii state Rep. Avery B. Chumbley (D-District 6) has introduced SB 1276 to prohibit "cybersquatters" from registering Internet domain names that are widely recognized trademarks. The measure would prohibit profiting by selling the domain name to the trademark owner. SB 1276 would add a new cybersquatting section to chapter 482, Hawaii Revised Statutes, which pertains to trademark protection.

SB 1276 would make it illegal to register in bad faith a domain name that is the same as or "confusingly similar" to a mark that is already famous at the time of registration. The bill would allow courts to consider several factors in determining bad faith, including the degree to which the domain name reflected the name of the person who registered it. Courts also could consider whether the person who registered the domain had used the name previously in offering legitimate goods and services.

Individuals could bring a civil action against alleged violators of SB 1276 seeking several types of relief, including compensatory damages, punitive damages and injunctive relief, which would force the offender to relinquish the domain. Instead of seeking actual damages and profits, the individual filing the suit could choose to receive statutory damages of between \$2,500 and \$100,000 per domain name.

SB 1276 has been referred to the Economic Development and Technology Committee, the Commerce, Consumer Protection, and Housing Committee, and the Judiciary Committee. Its text is available at [http://www.capitol.hawaii.gov/sessioncurrent/bills/sb1276\\_.htm](http://www.capitol.hawaii.gov/sessioncurrent/bills/sb1276_.htm).

similar to the "digital dozen" he introduced in the last Congress.

But Burns has expanded the scope of his previous initiative to address two issues that are certain to draw considerable attention from U.S. lawmakers this year: developing a national spectrum management plan and reviewing the way the Internet Corporation for Assigned Names and Numbers (ICANN) assigns Internet domain name suffixes.

Briefing reporters Feb. 7 about his telecom and Internet agenda for the 107th Congress, Burns, chairman of the communications subcommittee of the Commerce Committee, said his "tech seven" package also will encompass wireless privacy and electronic government. "My agenda is simple – to provide a safe environment that fosters growth and makes communications technologies available to everyone no matter where they live," he said.

Burns promised quick action in the communications subcommittee on Internet and wireless spamming (the sending of unsolicited email) and "whether the Department of Commerce had the authority to do what they did" in shifting control of the Internet domain name registration system to ICANN. Subcommittee hearings tentatively have been set for Feb. 14 and Feb. 27 on ICANN and spamming, respectively, he said.

On privacy items, Burns said he'd like to see Congress approve an online privacy bill by mid-summer but acknowledged that it could take longer for lawmakers to hammer out a consensus on Internet privacy. Protecting the privacy of consumers making wireless phone calls also will be a top goal this year, and Burns said he might broaden that initiative to review the "improper use of information collected" by the global positioning system (GPS).

Burns said he plans to meet with key policy-makers, including FCC Chairman Michael K. Powell, before moving forward on spectrum management issues. "There will be a lot of pre-meetings before we have our first hearing on it and start laying out" a spectrum management agenda, he said.

"Elements of the plan may include lifting the spectrum caps and creating a panel of defense and industry technology experts to more efficiently allocate spectrum," Powell said.

Burns said his push to spur deployment of broadband services to rural areas would take the form of several different bills. "That legislation includes lifting the cap on the high-cost portion of the Universal Service Fund, freeing small telephone companies from certain reporting and regulatory requirements, and providing tax

### TAUZIN DEMANDS REPORT ON CRITICAL INFRASTRUCTURE

House Energy and Commerce Committee Chairman W.J. "Billy" Tauzin (R-LA) is demanding that the National Security Council provide his panel with a copy of a 200-page critical infrastructure report that he says was required by law to be transmitted to Congress by Jan. 15 but never arrived.

The lawmaker also is seeking further information about published reports that former President Clinton waited until the end of his term before naming members to the National Infrastructure Assurance Council, even though the NIAC had been established by executive order in the summer of 1999.

"I am concerned that President Clinton waited until his last full day in office to finally appoint the first group of members to this critical council," Tauzin said in Jan. 25 letter to Richard Clarke, NSC national coordinator-infrastructure protection and counterterrorism.

The executive order had called for the 30-member panel to propose and develop new ways for the public and private sectors to cooperate on telecom and information infrastructure issues.

Tauzin has asked Clarke to turn over to the committee the names of the last-minute NIAC appointees and to "indicate whether your office recommended each of these individuals for a position on the NIAC and, if not, specify the individual or entity that recommended such person."

In requesting a copy of the overdue infrastructure report, Tauzin also questioned why the study "was, in fact, prepared but never signed by" former President Clinton. "Under the Defense Authorization Act of 2001, this report was required to be transmitted to the Congress by Jan.15, 2001," he noted.

Tauzin originally had asked Clarke to provide the committee with the information by Wednesday, Jan. 31. But a committee spokesman said the panel had decided to give the NSC "more leeway" in meeting that deadline "because of transition issues" related to the change in presidential administrations.

incentives to companies that help build high-speed Internet infrastructure," Burns said.

Meanwhile, Burns' subcommittee has grown by three seats since the previous Congress. In handing out subcommittee assignments last week, Commerce, Science, and Transportation Committee Chairman Sen. John McCain (R-AZ) gave the Democrats two extra seats on the panel and the Republicans one more. Both parties now have 10 members on the panel.

The new Democratic members are Barbara Boxer (CA) and John D. Edwards (NC). Edwards has said he would reintroduce a bill to give consumers more control over how their telecom service providers could use their calling records for marketing.

In a statement on the Senate floor last week, Edwards said, "During the last Congress, I introduced the Telephone Call Privacy Act [S 1850] in order to prevent phone companies from disclosing consumers' private phone records without their permission. I will be reintroducing this bill soon," he said.

Senate Republicans had five seats to fill on the communications subcommittee. The GOP picked up one seat from McCain's decision to expand the panel and was forced to fill four more because of three election casualties and the departure of William H. Frist (TN) from the full Commerce Committee.

The new Republican members on the communications subcommittee are Olympia J. Snowe (ME), Gordon Smith (OR), Peter G. Fitzgerald (IL), and freshmen John Ensign (NV) and George Allen (VA).

### Tauzin Expands Telecom Panel

The House Energy and Commerce Committee Feb. 7 approved a reorganization plan adding one more Democratic and one more Republican seat. The new GOP member is Rep. Charles Bass (NH). The Democrats, who needed to fill three seats, have added Chris John (LA), Jane Harman (CA) and Mike Doyle (PA). On the telecom front, there are four new Democrats on the telecommunications subcommittee: Reps. Harman, Bart Stupak (MI), Diana L. DeGette (CO) and Sherrod

Brown (OH). Maryland Democrat Albert Wynn has left the telecom panel.

Commerce Chairman W.J. "Billy" Tauzin (R-LA) said his subcommittee assignments and selections for subcommittee chairmen had been ratified by the Commerce Committee's Republican members.

Before Feb. 7, new telecom subcommittee Republicans were its Chairman Fred Upton (MI), Michael Bilirakis (FL), Joe Barton (TX), Thomas M. Davis III (VA), and John B. Shadegg (AZ). Rep. Cliff Stearns (R-FL), who was on the panel during the last Congress, will be its vice chairman.

Commerce Committee Ranking Democrat John D. Dingell (MI) said he would wait for the House leadership to agree on the size of the Commerce Committee before moving to select new committee members and announcing his subcommittee assignments, a Dingell spokeswoman said. That likely happened after EMMS' Feb. 8 deadline.

The telecom subcommittee's first hearing of the 107th Congress is scheduled for Feb. 8. The hearing will focus on ICANN's recent selection of registry operators for new top-level domains.

## AeA Advises Against Regulating Broadband

The AeA (formerly the American Electronics Association) is advising federal policy-makers to take a hands-off approach to regulating broadband service markets with multiple providers. As examples of competitive broadband markets, AeA cites "residential areas served by cable, DSL [digital subscriber line], and satellite providers."

In a report that was submitted Jan. 29 to the White House and Congress, AeA also calls for more efforts at the federal level to promote competition in "sectors (such as multitenant buildings) where there are bottlenecks to competitive entry." It says the FCC should "continue to show regulatory restraint with respect to emerging services, given the fact that the market for such services, while still nascent, is functioning in a competitive fashion."

Briefing reporters about AeA's policy positions, AeA President and Chief Executive Officer

William T. Archey said the organization's report got a "favorable" reception when it was presented to top White House officials. The paper reflects the views of AeA member companies that participated in a series of "town hall meetings" last year, Archey said.

The report also urges Congress to extend the current moratorium on new or discriminatory Internet taxes and permanently ban the taxation of Internet access services. The moratorium, which began in 1998, will expire in October absent congressional action. The report also reiterates AeA's recent call for federal preemption of state privacy laws affecting e-commerce or Internet businesses.

## Powell to Lead with Review Of FCC Operational Changes

With a Republican administration in place for the first time since the passage of the Telecommunications Act of 1996, GOP insiders appearing at last week's Comnet convention in Washington said the political landscape was ripe for overhauling the FCC.

Key congressional and FCC staffers predicted that federal policy-makers would launch major efforts this year to (1) curb the Commission's authority to impose "voluntary" conditions on merger applications, (2) update the agency's traditional common carrier rules, and (3) pressure the FCC to accelerate its decision making.

The Republican-heavy panel also saw spectrum-management issues – including the identification of new spectrum for third-generation (3G) wireless services – topping the Bush administration's telecom agenda.

Lauren J. "Pete" Belvin, an attorney at Wilkinson Barker & Knauer LLP, said history proved that telecom policies inevitably would come to the forefront of the Bush administration "whether the administration is deeply involved with telecom or not." Belvin is a former FCC and Senate staffer. "Telecom [policy-making] happens," she said, because "the market pipes its tune, there's a reaction to it, and the FCC is at front and center."

Recently designated FCC Chairman Michael K. Powell's first order of business will be to

determine which of the Commission's operations are "messed up," said Peter Tenhula, Powell's senior legal adviser. "We'll probably start with initiatives that may not be regulatory or deregulatory but more operational," Tenhula said.

During his first week as chairman, Powell received numerous complaints about the slow pace of the FCC's decision-making process, Tenhula said. "Right now, 80 percent of the FCC's agenda is reactive instead of proactive, where it's responding to a petition for rulemaking or a [section] 271 application," Tenhula said. "At the top of the chairman's agenda will be reforming the operation of the Commission" and "expediting its decision-making," he said.

A re-examination of the section 271 process couldn't come soon enough, said Howard Waltzman, the recently named telecom counsel to the House Energy and Commerce Committee. Technology has "overtaken legislation," he said, "and what has been happening in the marketplace has eviscerated many parts of the" Act.

Policy-makers need to "reevaluate some of the core parts of the Act and determine ... whether or not they're hindering investment and innovation," he said.

He predicted a groundswell of bipartisan support in the newly elected Congress for limiting the FCC's role in reviewing merger-related license transfers, as well as limiting its ability to impose conditions on section 271 and merger applications.

Congress will be looking at "what we can do to change the agency to make it more efficient," Waltzman said. "The biggest frustration with the way the FCC implemented the Telecom Act under the Clinton administration was that the processes were too slow," he said.

Asked to comment on the financial struggles of competitive local exchange carriers (CLECs), Waltzman said the CLECs' financial woes don't portend an end to local exchange competition. Cable TV providers and wireless carriers also are deploying alternative local phone service, he noted.

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## Wireless Messaging

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### Verizon Wireless' Strigl Urges Fairness in Spectrum

In a keynote address at the Comnet conference in Washington, D.C., Feb. 1, the head of Verizon Wireless said that with the growth of the wireless data sector creating demand for spectrum, federal regulators must adopt a consistent, market-based approach to allocating frequencies.

"We need to ensure that the precious spectrum we have reaches its fullest potential through a competitive and forward-looking policy," Verizon Wireless Chief Executive Officer and President Dennis F. Strigl said. "Marketplace forces of fair and open competition should be the sole basis for awarding spectrum, not artificial controls like caps on spectrum ... or limitations based on allowances or set-asides for various groups."

Regarding the wireless Internet, Strigl said that to be successful, U.S. carriers must create "a unique Internet experience." He added that his company is not "replicating what is done on the desktop."

"Deep customization of both content and delivery" will drive the success of the wireless Web, Strigl said. Examples of this include alerts sent to wireless devices that can notify their users when preselected stocks hit a certain price or when schools are closed during inclement weather, he said. Or users can access data such as weather or flight information. Two-way text messaging is another feature Strigl said he expected to help drive the growth of the wireless data sector.

As for the devices themselves, he said, "we need compelling wireless appliances." He expects "nontraditional handsets" such as personal digital assistants (PDAs) with voice capability to become more popular. He stressed the need for technical standards to promote the use of various devices.

Strigl said all major U.S. wireless carriers this year would be aggressively forming alliances with applications providers and Internet vendors in hopes of promoting the growth of mobile e-commerce.

He touted the potential of location-based services and vehicle-based telematics. However, he acknowledged the industry needs to protect

#### VERIZON WIRELESS' MOBILE MESSENGER EXPANDS

Verizon Wireless is rolling out its two-way text messaging service, Mobile Messenger, in more than 200 markets. Subscribers with two-way text messaging-capable phones can send and receive messages of up to 120 characters. They can either sign up for one of two rate plans or pay two cents for each message received and a dime for each message sent.

One rate plan is \$2.99 a month and includes 100 free messages, while another is \$7.99 a month and includes 600 messages.

All messaging fees will be waived until April 1.

consumers' privacy when offering location-based services, and he said it must encourage responsible driving when using telematic applications.

### QUALCOMM Platform to Spur Wireless Internet Apps

QUALCOMM Inc. has developed an open software platform to help spur the development of applications for the wireless Internet. The binary run-time environment for wireless (BREW) platform will enable developers, manufacturers, and carriers to reduce software-development costs and speed the delivery of data services to consumers, QUALCOMM said.

The BREW platform was developed for devices that use CDMA (code-division multiple-access) technology but eventually will be available for use with other technologies, a company spokesman said. Consumers will be able to update their BREW-enabled handsets by deleting old software and downloading new programs.

"Compelling applications will generate consumer demand for wireless Internet access, speeding the deployment of next-generation CDMA wireless services," said Paul E. Jacobs, QUALCOMM's executive vice president.

QUALCOMM has signed memoranda of understanding with several wireless carriers, manufacturers, and developers to use the platform, including Verizon Wireless and Leap Wireless International Inc. in the U.S., Korea Telecom in Korea and Pegaso PCS in Mexico.

QUALCOMM says BREW-enabled products are expected to be commercially available in some regions in the third quarter of this year. An investors note from Lehman Brothers Inc. said BREW would be rolled out in Japan first by KDDI Corp.

QUALCOMM will charge carriers a fee to use BREW and will receive a portion of fees paid by wireless device users for BREW applications.

### FCC Delays 700 MHz Auction to Sept. 12

Major wireless carriers are praising the FCC's decision to postpone, for the fourth time, an auction of spectrum licenses in the 700 megahertz band. But a group representing rural carriers and a major TV broadcaster say the action wasn't necessary.

The decision to postpone the auction from March 6 until Sept. 12 was needed "to provide additional time for bidder preparation and planning" and for other auction administrative reasons, the FCC's Wireless Telecommunications Bureau said in a public notice released Jan. 31.

The action came after Verizon Wireless and other large carriers cited a host of concerns they said could dampen enthusiasm for bidding on the frequencies. In a Jan. 18 letter to the Wireless Telecommunications Bureau, Verizon Wireless said carriers needed time to assess their spectrum needs and form alliances between the reaction of "C" and "F" block PCS (personal communications service) licenses and the 700 MHz band sale. The PCS reaction ended Jan. 26.

Large carriers had supported in comments Verizon Wireless' request for a postponement; some asked for the auction to be postponed even longer than the six months Verizon Wireless had requested.

Other reasons the industry cited in urging a delay included concerns that (1) TV broadcasters occupy large chunks of the spectrum to be licensed and additional time is needed to negotiate band-clearing agreements with them; (2) companies need more time to prepare for package-bidding rules that will be used for the first time in the auction; and (3) a high-level effort to identify and allocate frequencies for third-generation (3G) services will affect carriers' interest in the 700 MHz band.

Commissioner Harold W. Furchtgott-Roth opposed the postponement, noting that the FCC already had missed a Sept. 30, 2000, statutory deadline for depositing proceeds from the auction into the U.S. Treasury. "I am disappointed that the Commission has decided to postpone this auction once again," he said in a statement. "With each succeeding delay, the credibility of our spectrum and auction-management policies becomes more suspect."

Commissioner Gloria Tristani, who dissented from the FCC's decision last year to postpone the auction to this March, said she did not oppose the latest delay. She cited the short time frame between the C and F block auction and the 700 MHz band sale. "At this point, the scheduling problems before us are of a different nature and largely of this agency's own making," she said. "The challenges posed by the early auction of 700 MHz spectrum need not be burdened further by unfortunate administrative miscalculations. The bureau asserts that this delay is necessary to address these administrative matters."

#### Large Carriers Welcome Delay

Verizon Wireless President and Chief Executive Officer Dennis F. Strigl praised the FCC's decision. "I think the FCC made exactly the right move," Strigl said after a keynote address at the Comnet Conference & Expo in Washington last week (see previous story). He said the presence of TV broadcasters in the band "will have a significant impact on the value of this spectrum." He added, "At this point, I can't tell you that the new spectrum has high value."

Broadcasters are expected to vacate the spectrum (channels 60-69) as part of their transition to digital TV, but they don't need to do so until 2006 at the earliest. The uncertainty over when the frequencies will be available has created anxiety among wireless carriers considering bidding in the auction.

Thomas E. Wheeler, president and CEO of the Cellular Telecommunications & Internet Association, also praised the FCC's decision. "We need to take a quick breath before plunging into the next round of spectrum bidding so that carriers can assess their spectrum needs and develop bidding strategies," he said.

But several TV broadcasters and a group representing rural carriers opposed any further

delay. They said that carriers had had plenty of time to prepare for the auction and that further delay would be unfair.

"There didn't seem to be any justification for another delay," said Nancy Udell, vice president-media relations for Paxson Communications Corp., the largest incumbent broadcaster in the spectrum to be auctioned. But "since the FCC has spoken, we're ready to participate" in any band-clearing negotiations, she added.

Brent Weingardt, an attorney for the Rural Telecommunications Group (RTG), also criticized the postponement. "There's little pretense that the Commission only views auctions in terms of how much revenue they can generate ... and they're willing to assist larger companies, who are the only ones that are going to be able to compete in that auction," he said. "We don't see any other public interest in postponing it."

Weingardt said he didn't expect RTG members to participate in the auction but said his group opposed a further delay on "principle."

## France, Brazil Have Troubles Awarding Wireless Licenses

French telecom regulator Autorite de Regulation des Telecommunications (ART) has decided to organize another "beauty contest" in hopes of attracting more bidders for third-generation (3G) licenses. In its initial attempt, only two companies bid for four licenses on the block. Brazil had similar problems, postponing an auction of licenses Friday, Feb. 2, due to a lack of bidder interest.

ART said last week that the two bids for the French licenses came from France Telecom's Orange plc mobile phone service unit and Vivendi SA's Cegetel SA, which owns French mobile phone operator Societe Francaise du Radio-telephone (SFR).

Dropping out of the contest last week was French wireless carrier Bouygues Telecom SA. French utility Suez Lyonnaise des Eaux and Telefonica SA of Spain had withdrawn from the running earlier.

ART is selling the four UMTS (universal mobile telecommunications system) licenses for

4.95 billion euros (\$4.6 billion) each. It has planned to award the licenses in June.

“A structuring of the market around two operators only could not be considered,” ART said in a statement. It said that such an arrangement “would not make it possible to satisfy the objectives of development of a competitive market.”

France is the latest European country to run into trouble selling 3G licenses in recent months after the United Kingdom and Germany raised more than \$80 billion auctioning such spectrum last year. Carriers and financial analysts have expressed concern that the high prices paid for the licenses, as well as the costs of building out systems, will make it difficult to recoup investments.

### Brazil Looks for Bidders

In Brazil, telecom regulator Anatel announced that it was suspending its planned auction of three licenses, which was scheduled to begin Feb. 6. It blamed the delay on a lack of bidders. Anatel said additional auction rounds to sell three licenses each would be held as scheduled Feb. 20 and March 13. It said there were seven bidders each lined up for those rounds.

The decision to suspend the first auction round came after a Brazilian judge earlier last week lifted an injunction that had forced the round to be delayed from Jan. 30. In other countries the following spectrum-related developments occurred:

In Canada, Industry Canada’s auction of 3G PCS (personal communications service) licenses generated \$1.48 billion Canadian (US\$991 million) in bids for 52 10-megahertz licenses covering 16 markets. Five of the original seven bidders won licenses in the sale, which closed Feb. 1 after three weeks and 51 rounds.

Bell Mobility, Inc., led all bidders, offering \$720 million Canadian (US\$482 million) for 20 licenses, followed by Rogers Wireless, Inc., which bid \$393 million Canadian (US\$263 million) for 23 licenses. TELUS Communications, Inc., came in third, bidding \$355 million Canadian (US\$238 million) for five licenses.

“The licensing of this spectrum is a crucial step in improving Canada’s information infrastructure,” Canadian Industry Minister Brian Tobin said. “This will facilitate the development of new wireless telecommunications services, bringing the Internet and other communications services, such as email and mobile commerce, closer to all Canadians.”

In Singapore, the Infocomm Development Authority (IDA) said Jan. 30 that its auction of fixed wireless broadband licenses would be postponed until after the country’s 3G auction in April or May. The fixed wireless license sale was originally scheduled for February, as was the 3G auction. “A number of interested players have requested for more time to reassess the market situation, as well as to explore alternative technologies,” the IDA said. □

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