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**TELECOMMUNICATIONS****Static, Problems  
Are Hampering  
Wireless Growth**

By DENNIS K. BERMAN and JESSE DRUCKER

Staff Reporters of THE WALL STREET JOURNAL

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U.S. wireless companies are poised for an influx of business beginning Monday, when expected new rules will allow customers to transfer their traditional home phone numbers to cellphones. The rules are a big victory for carriers that have been pushing hard to lure a new mass of "cord cutters" to go completely wireless.

The switch nonetheless highlights one of the wireless industry's weak spots: the dropped calls and static-laced conversations that make wireless phones much less reliable than their wired ancestors.

Wireless companies' call-reliability statistics are one of the telecom industry's most closely guarded secrets. A few clues have trickled out, such as an April report by Congress's General Accounting Office. It cited two industry executives who said wireless companies strive to complete calls an average of 98% of the time. Indeed, Bill Clift, chief technical officer for Cingular Wireless, a joint venture of BellSouth Corp. and SBC Communications Inc., says that his network fails to complete calls "roughly around 2% of the time."

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time. That works out to downtime of about five minutes annually.

In a nationwide survey, the GAO report found nearly one-fourth of cellphone users questioned were unable to complete 10% or more of their calls. Typically the calls drop because of an overload at the carriers' base stations -- the boxes of electronics and radios that process the calls. Sometimes, the carrier simply doesn't have enough base stations to cover a given geographic area.



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Many who follow the wireless industry say that number portability will increase the pressure on carriers to improve their reliability. "It's the cattle prod," says the Consumer Union's legislative counsel, Chris Murray. He added that service quality is the No. 1 complaint from wireless users.

"If they give up their [wired] home phone, they've got to have guaranteed service at least at their house," says Joshua Loudenbeck, manager of the Wireless & More store in Portland, Mich., who has seen a parade of customers asking about number portability in the past few months. "If the quality isn't there, they won't do it."

As of now, most wireless customers seem comfortable tolerating some of their phones' deficiencies. The GAO survey, for instance, found that 83% of wireless customers were satisfied with their service. Wireless companies can also take heart in the fact that the next wave of lucrative customers -- those now in their teens or early 20s -- may have grown accustomed to the lower reliability of cellphones.

**HELLO?**

Problems reported by U.S. mobile-phone users who had trouble connecting on 10% or more of calls.

No coverage	34%
Poor sound	30%
Dropped calls	22%
Fast busy signal*	21%

\*Cell from which call originates is full

NOTE: Based on 2002 survey of 552 users, industry surveys  
 Source: GAO

To be sure, the laws of physics make wireless phone calls inherently more unstable than wired ones. The radio waves that transmit voice and data can be scrambled by buildings, hills or trees. The question for wireless companies is whether their quality is good enough to win over a critical mass of older customers accustomed to nearly perfect service on their wired home phones. The carriers must do so amid a period of ever-tightening budgets on capital expenditures. According to CIBC World Markets, U.S. wireless companies spent \$3.8 billion on capital improvements in the first three quarters of this year, a drop of about 20% from what CIBC analyst Stephen Kamman had predicted at the beginning of the year.

Several wireless carriers argue that declining capital spending is misleading. They say comparisons are distorted because they were building new networks that created a short-term bump in their spending patterns. Sprint Corp.'s wireless unit, Sprint PCS; AT&T Wireless Services Inc.; Cingular; and Verizon Wireless, a joint venture of Verizon Communications Inc. and Vodafone Group PLC, all either upgraded their technology or built parallel networks using different technology since 2001.

The carriers say capacity has been improved by those recent network changes, some with hopes of convincing Wall Street that more big spending isn't necessary. Cingular's Mr. Clift, for example, says the carrier's new network, deploying the GSM tech standard used in most of the world, will at least double its calling capacity. The carrier now plans to focus more heavily on expanding its network geography, Mr. Clift says.

Phil Marshall, an analyst at the Yankee Group consulting firm, says he expects service quality to improve a bit now that customers can more easily switch carriers. But he adds that substantial improvements, such as bringing wireless reliability up to 99%, would require "doubling, tripling, or quadrupling capital expenditures. A service provider can't do that and stay in business" as carriers engage in price competition.

Wireless carriers acknowledge that their networks will never be quite as robust as their wired competitors. But they argue that the downside of wireless is made up for by its very mobility, as well as other features such as wireless e-mail and photo-messaging.

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"Its not at parity, but it's approaching parity," says Dave Flessas, vice president of network operations for Sprint. "And the trade-off is the value factor of the wireless offering."

Still, Mr. Flessas contends that customers should keep a basic, stripped-down wire-line phone in case of power outages such as last summer's blackout, which rendered wireless networks unreliable.

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