



May 18, 2021

**VIA ELECTRONIC FILING**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
45 L Street, NE  
Washington, DC 20554

Re: *Application for Consent to Transfer Control of International Section 214 Authorization, GN Docket No. 21-112*

Dear Ms. Dortch:

On May 14, Verizon and América Móvil/TracFone filed responses to their respective general information requests issued in the above-referenced docket, providing narrative responses totaling 101 pages, multiple data sets, and more than 21,000 pages and sheets of supporting documents. These materials demonstrate that a combined Verizon and TracFone will better serve existing and potential TracFone customers, will inject further competition into the prepaid segment for value-conscious customers, and is in the public interest.

It has now been six months since the International Bureau issued a public notice launching its review of the Transaction (November 20, 2020), almost six months since Department of Justice career staff concluded the Transaction did not raise any competitive issues that required a second request under the Hart-Scott-Rodino Act (November 24, 2020), and almost eight months since Verizon and TracFone submitted the application (September 30, 2020). The record is more than complete, and we respectfully request that the Commission move expeditiously to approve the Transaction so that value-conscious prepaid customers can enjoy the benefits that the combined Verizon and TracFone will deliver as soon as possible.

The combined Verizon and TracFone will provide significant benefits to consumers that a standalone TracFone cannot. The Transaction will: (i) bring “owner’s economics” to TracFone, enabling more competitive offers for consumers than anything a standalone TracFone could hope to achieve; (ii) increase device-buying power for TracFone; (iii) bring facilities-based competition to the Lifeline program; (iv) allow TracFone to compete with nimbleness it cannot achieve on its own; (v) expand TracFone’s existing distribution channels to reach consumers in their communities; (vi) drive innovation in TracFone’s offerings; and (vii) add TracFone employees and their expert knowledge of prepaid, value-conscious consumers to Verizon. Below we provide highlights of the record and the demonstrable consumer benefits the Transaction will generate.

***The Transaction will enable the combined Verizon and TracFone to be a better competitor for value-conscious prepaid customers.*** Verizon is a nationwide mobile network operator (“MNO”) with an award winning network, but it has by far the smallest share of prepaid subscribers among the nationwide wireless service providers and does not own a brand that has managed to attract material numbers of value-conscious customers.<sup>1</sup> TracFone, by contrast, is exclusively a prepaid provider with decades of experience focusing on value-conscious customers, but as a mobile virtual network operator (“MVNO”) it does not have a network of its own. A combined Verizon and TracFone will bring the companies’ respective strengths together in a way that will enable TracFone to compete far more robustly for value-conscious customers than a standalone TracFone can, all to the benefit of consumers.

***The Transaction will bring “owner’s economics” to TracFone, lowering network costs to serve TracFone customers and enabling more competitive offerings for value-conscious consumers.*** The acquisition of TracFone reinforces the evolution of the prepaid industry toward more competitive, high quality offerings for value-conscious customers. T-Mobile and AT&T each offer prepaid through flanker brands—Metro and Cricket, respectively—that have prospered since their respective acquisitions, while TracFone has lost nearly 20 percent of its customer base over roughly the same period. These developments are not surprising: TracFone does not have the network assets it needs to be a strong competitor to an MNO like AT&T or T-Mobile. The Transaction will change this.

Under any MVNO agreement, the MNO charges the MVNO wholesale rates that are higher than its incremental network costs. This cost-price difference is the MNO’s margin. To make a profit, the MVNO must earn an *additional* margin. Combining Verizon and TracFone will eliminate this double marginalization and generate owner’s economics, resulting in a substantial reduction of TracFone’s incremental costs to serve customers and enhancing TracFone’s ability to compete through better, more valuable offers for consumers.

Flanker brands Metro and Cricket already leverage owner’s economics and benefit from lower network costs, and Boost, while still an MVNO, benefits from the below-market wholesale rates established in the T-Mobile/Sprint transaction. The following chart demonstrates these effects—and illustrates TracFone’s competitive challenges—by comparing pricing for unlimited plans for four lines offered by Metro, Cricket, Boost, and TracFone’s Straight Talk brand:

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<sup>1</sup> Verizon serves less than five percent of prepaid customers nationally through the Verizon Prepaid, Visible, and Yahoo Mobile brands. In contrast, Verizon estimates that AT&T, T-Mobile, and DISH serve approximately 54 percent of all prepaid subscribers through their retail brands. When MVNO subscribers are attributed to the MNOs on whose networks they ride—the standard methodology for assessing market share—Verizon estimates that AT&T, T-Mobile and DISH serve approximately 75 percent of all prepaid subscribers.

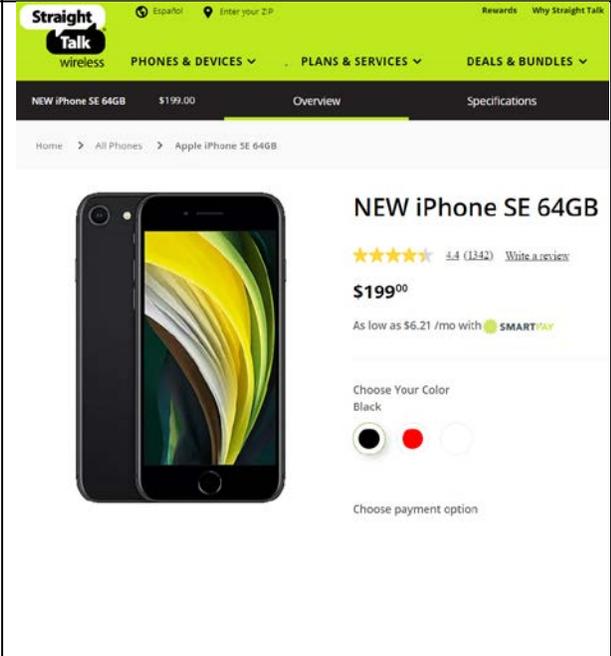
**Comparison of Unlimited Plans for 4 Lines**

<b>Provider</b>	<b>Plan for 4 Lines<sup>2</sup></b>	<b>Notes</b>	<b>Source</b>
Metro	\$30 per line per month * 4 lines = \$120 per month	Non-sale cost: 4 lines for \$150 per month with unlimited high-speed data. After 35GB/mo., if congested, “Metro customers may notice reduced speeds vs T-Mobile due to prioritization.”	<a href="https://www.metrobyt-mobile.com/shop/plans">https://www.metrobyt-mobile.com/shop/plans</a>
Cricket	\$25 per line per month * 4 lines = \$100 per month	Unlimited high-speed data (Data speed limited to max of 8 Mbps. Cricket may temporarily slow data speeds if the network is busy.) Unlimited talk, text & picture messages in the US.	<a href="https://www.cricketwireless.com/cell-phone-plans">https://www.cricketwireless.com/cell-phone-plans</a>
Straight Talk	\$55 per line per month * 4 lines = \$220 per month	Ultimate Unlimited Nationwide: UNLIMITED High Speed Data + 10 GB Hotspot Data \$50 per month for 3 months with Auto-Refill.  Unlimited Nationwide plan makes four lines available for \$140 per month, with first 5 GB at high speeds, then at 2G.	<a href="https://www.straighttalk.com/all-plans">https://www.straighttalk.com/all-plans</a>
Boost Mobile	\$50 per month * 1 line = \$50 per month + \$30 per month * 3 lines = \$90 per month  Total = \$140 per month	Go Unlimited: Unlimited Mobile Data. (After monthly data allotment is exceeded, you will be reduced to 2G data speeds for the remainder of the month.) 35 GB 4G LTE. Unlimited Data, Talk & Text 12GB Mobile Hotspot.	<a href="https://www.boostmobile.com/plans.html">https://www.boostmobile.com/plans.html</a>  <a href="https://www.boostmobile.com/expanded-plans">https://www.boostmobile.com/expanded-plans</a>

<sup>2</sup> Data pulled from designated sources as of May 13, 2021. Plans and pricing options are subject to change.

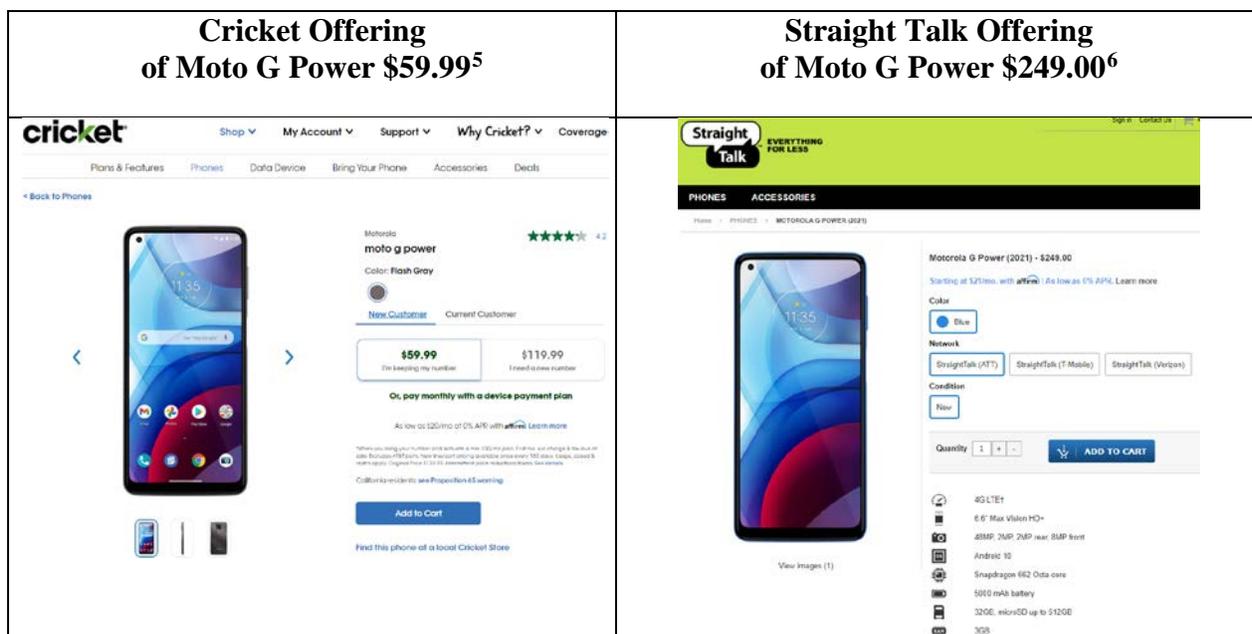
TracFone's price for four lines with unlimited high-speed data is \$220/month, compared to Metro's price of \$120/month, Cricket's price of \$100/month, and Boost's price of \$140/month. While the combined Verizon and TracFone will continue to offer TracFone's existing plans when the Transaction closes, owner's economics means that, over time, some TracFone customers likely will spend less for the same amount of service, while other consumers may choose to spend more to get more.

***The Transaction will deliver a new level of device-buying power for the combined Verizon and TracFone.*** Today, TracFone has less purchasing power in negotiations with device manufacturers to serve the wireless market in the United States than AT&T/Cricket and T-Mobile/Metro and, in turn, less ability to offer deep discounts on devices. In multiple instances, today's flanker brands offer popular devices at sharply lower rates than TracFone does. The following examples illustrate how the flanker brands have gained a competitive advantage on pricing devices:

<b>Metro Offering of iPhone SE for \$49.99<sup>3</sup></b>	<b>TracFone Straight Talk Offering of iPhone SE \$199.00<sup>4</sup></b>
	

<sup>3</sup> Metro by T-Mobile, iPhone SE, <https://www.metrobyt-mobile.com/shop/phones/details/iPhone-SE/194252145319> (last visited May 12, 2021).

<sup>4</sup> Straight Talk Wireless, Apple iPhone SE 64GB, <https://www.straighttalk.com/all-phones/apple-iphone-se-64gb-prepaid> (last visited May 12, 2021).



By leveraging their scale and purchasing power, a combined Verizon and TracFone will be able to negotiate volume discounts with device manufacturers for phones in the United States that standalone TracFone cannot. This will result in more device options and better deals for consumers.

***The Transaction will bring facilities-based competition to the Lifeline program.***

Verizon is firmly committed to TracFone’s Lifeline business and the consumers it serves. After the Transaction is approved and closed, Verizon will continue to offer TracFone’s current Lifeline-supported service offerings; TracFone customers will be able to keep their current Lifeline service/plan when the deal closes. As Ronan Dunne, the head of Verizon’s Consumer business group stated, Verizon “see[s] Lifeline as a foundational element of our commitment in this space.”<sup>7</sup> Notably, the Transaction will introduce a second facilities-based competitor for Lifeline customers. Today, while there are a number of MVNOs that offer wireless Lifeline-supported services, there is essentially only one MNO that does so: T-Mobile. As a direct consequence of their reduced cost structure, the combined Verizon and TracFone will have the incentive and ability to compete more effectively against T-Mobile than TracFone (or any other

<sup>5</sup> Cricket Wireless, Motorola Moto G Power, <https://www.cricketwireless.com/cell-phones/smartphones/moto-g-power-flash-gray.html> (last visited May 12, 2021)

<sup>6</sup> Straight Talk Wireless, Motorola G Power (2021), <https://affirm.straighttalk.com/Motorola-G-Power-2021.html> (last visited May 12, 2021).

<sup>7</sup> See Bloomberg Law, *Verizon-TracFone Deal is Early Test of New FCC Wireless Stance* (Mar. 7, 2021), <https://bnanews.bna.com/antitrust/verizon-tracfone-deal-is-early-test-of-new-fcc-wireless-stance>.

Lifeline MVNO reseller) can do on its own. Potential and current Lifeline participants stand to benefit.

***The Transaction will make TracFone more nimble in responding to competitors' offers and meeting the needs of value-conscious consumers.*** The Transaction will eliminate the time and costs associated with arm's-length negotiations inherent in the MVNO model. Currently, TracFone can only provide service consistent with the reseller agreements it negotiates with its MNO partners. If a competitive move is not permitted (literally or practically) by TracFone's existing reseller agreements, TracFone and the MNOs must engage in extensive, often lengthy, negotiations.

In TracFone's case, negotiations with MNOs can be particularly complex as it must coordinate across multiple MNOs for its brands that operate on more than one network. These contract negotiation requirements put TracFone at a significant competitive disadvantage to its rivals. AT&T and T-Mobile (and soon DISH, too)—having already moved to the flanker business arrangement—do not face these impediments. As a result of the Transaction, TracFone will bring innovations to market and react to competitive offers faster than ever before.

***The Transaction will launch broader TracFone distribution channels, improving access to TracFone in urban communities and rural areas.*** Verizon plans to revamp and expand TracFone's existing distribution approach, broadening its physical footprint to thousands of additional distribution outlets, including in urban and diverse communities and rural areas. TracFone currently distributes its devices and services through national retail stores like Walmart and Target, as well as through online retailers, including TracFone's own websites, and via indirect distribution channels. A combined Verizon and TracFone will make additional investments in distribution channels, including in low income, diverse, and underserved communities. Customers in these communities will be able to look at TracFone device options, discuss different plans with in-person representatives, activate service, and make payments at the stores. This investment in broader distribution outlets is a significant consumer benefit of the Transaction.

***With the benefits above, the Transaction will put compelling TracFone plans and devices into the hands of consumers.*** Verizon has committed that TracFone customers can remain on their current plans post-closing, but moving forward the combined Verizon and TracFone will have every incentive to offer more competitive options and better choices across a range of dimensions including price, service and plan attributes, devices, and technology. Because customers have multiple prepaid options available in the marketplace today and the ready ability to switch among them (prepaid has a near-50 percent churn rate), the combined Verizon and TracFone will work to earn value-conscious customers' business. Gaining access to the Verizon network will be a significant benefit for TracFone customers migrating from another carrier to Verizon. And making TracFone a part of Verizon will allow Verizon to bring its full 5G experience and other technical advances to TracFone customers more quickly. Verizon also

plans to make available its fixed wireless broadband home internet solutions to TracFone customers.

***The Transaction will add TracFone employees and their expertise to Verizon, with no workforce reductions.*** Verizon will welcome TracFone employees to the Verizon team and will actively seek to retain them. There are no plans for any workforce reductions related to the Transaction, and TracFone's employees will enjoy Verizon's generous employee benefits package. TracFone's employees' knowledge of the prepaid segment will be vital to coordinate fully with the Verizon team to develop competitive offerings that will serve prepaid, value-conscious consumers and grow the prepaid business.

***This Transaction involves the acquisition of a non-facilities-based reseller by a facilities-based provider and is pro-competitive.*** Contrary to some opponents' comparisons, the transaction is far from another T-Mobile/Sprint. This Transaction involves the acquisition of a non-facilities-based MVNO, a single international Section 214 authorization, and no spectrum licenses. In contrast, T-Mobile/Sprint involved the consolidation of two major, nationwide network providers that competed against each other for the same set of customers and raised substantial questions as to its competitive implications. Verizon and TracFone do not compete for the same set of customers to any significant extent. Post-consolidation, Sprint no longer exists in the marketplace. Post-acquisition, TracFone will be a stronger competitor. After the closing of this Transaction, consumers will continue to have the option of purchasing prepaid service from the AT&T, T-Mobile, and DISH brands, as well as from numerous other resellers; the only difference is that the combined Verizon and TracFone will be a stronger competitor, to the benefit of consumers.

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Ms. Marlene H. Dortch  
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Pursuant to Section 1.106 of the Commission's rules, a copy of this letter his being submitted in the record of this proceeding. Please contact the undersigned with any questions.

Respectfully submitted,

/s/ Alejandro Cantú Jiménez

Alejandro Cantú Jiménez  
General Counsel  
América Móvil, S.A.B. de C.V.  
Lago Zurich 245  
Plaza Carso/Edificio Telcel, Piso 16  
Colonia Ampliación Granada, Miguel Hidalgo  
México, D.F. 11529  
+ 52.55.2581.3700 (tel.)  
acantu@americamovil.com

/s/ William H. Johnson

William H. Johnson  
Verizon Communications Inc.  
1300 I Street, NW, Suite 500E  
Washington, DC 20005  
202-515-2492 (tel.)  
will.h.johnson@verizon.com

Richard B. Salzman  
Executive Vice President  
and General Counsel  
TracFone Wireless, Inc.  
9700 NW 112th Ave  
Miami, FL 33178-1353  
305-715-6500 (tel.)  
RSalzman@tracfone.com