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December 3, 2001

VIA ELECTRONIC FILING

Magalie Roman Salas
Secretary
Federal Communications Commission
445 - 12th Street, S.W.
Room TW-A325
Washington, D.C. 20554

Re: *Notice of Ex Parte Presentation*
WT Docket No. 01-184 (WNP Forbearance Petition)
CC Docket No. 99-200 (Numbering Resource Optimization)

Dear Ms. Salas:

This is to advise you that on Friday, November 30, 2001, John T. Scott, III, and Anne E. Hoskins of Verizon Wireless, and the undersigned on behalf of Verizon Wireless, made an ex parte presentation in the above-referenced docket(s) to Jordan Goldstein, Senior Legal Advisor, and Paul Margie, Legal Advisor to Commissioner Michael J. Copps.

In the meeting, Verizon Wireless reiterated its position that the legal arguments and evidence on the record support the requested forbearance from the wireless number portability (WNP) requirement. In the context of this section 10 forbearance petition, the issue before the Commission is whether the continued existence of the regulation can be justified by a need to stimulate competition or protect consumers. We discussed the lack of evidence on the record to support the continuation of the regulation at this time. We observed that there is no evidence that WNP is needed to stimulate competition among wireless carriers, as such competition is already robust. We also argued that there is no evidence that WNP is necessary to spur wireless-wireline competition.

We argued that, because the forbearance standard is met at this time, forbearance should be granted. In that case, the regulation will remain "on the books" and could be revisited at any time in the future if circumstances change.

In response to a question by Mr. Margie regarding wireless churn statistics, we are attaching the pages from the Commission's most recent CMRS Competition Report discussing wireless churn. As can be seen, the Report discusses some of the primary reasons that customers switch carriers, including dissatisfaction with their current pricing plan, network quality, or to take advantage of a competitor's promotion. The Report also shows that almost half of wireless subscribers report no strong sense of commitment to their current wireless carrier, and that the number of wireless subscribers bound to "contracts" with their carrier is on the *decline*.

In addition, we discussed Verizon Wireless' concern that any consideration of technology-specific area code overlays ensure efficient use of area codes and not involve number give-backs by wireless carriers. Give-backs would involve costs and inconvenience for wireless consumers on an enormous scale.

Pursuant to section 1.1206(b) of the Commission's Rules, this letter is being filed electronically in each of the above-referenced dockets. If there are any questions regarding this matter, please contact the undersigned.

Very truly yours,

WILKINSON BARKER KNAUER, LLP

By: \s\
L. Charles Keller

Enclosure

cc: Jordan Goldstein
Paul Margie

compared with 155 MOUs in 1999 and 89 MOUs in 1998.[133]

(iii) Average Revenue Per Unit

Increased MOUs may counteract any negative effect of falling prices on the average monthly revenue per subscriber (often referred to as average revenue per unit, or "ARPU"). For the mobile telephone sector, ARPU has decreased almost continuously since CTIA began tracking it in 1987, going from a peak of $98.02 in December 1988 to a low of $39.43 in December 1998.[134] However, since 1999, ARPU has begun increasing, first to $41.24 in December 1999, then to $45.27 in December 2000, a 15 percent increase over the last two years. As previously discussed in the *Fifth Report*, analysts attribute this rise to customers using their phones more often.[135]

(iv) Churn

Churn refers to the number of customers an operator loses over a given period of time. Mobile telephone operators usually express churn in terms of average percent churn per month. For example, an operator might report average monthly churn of 2 percent in a given fiscal quarter. In other words, on average, the operator lost 2 percent of its customers in each of the quarter's three months. At this rate, the operator would lose 24 percent of its customers in a single year.[136] Given that churn provides an approximate measure of the frequency with which subscribers switch operators,[137] it is often used as an indicator of increasing competition. Most carriers report churn rates between 1.5 percent and 3 percent per month.[138]

According to one recent survey, almost one in five wireless subscribers have switched carriers in the past year.[139] Sixteen percent of those who switched said that their primary reason for doing so was dissatisfaction with their current pricing plan.[140] Twelve percent dropped their current service in search

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133 *Mobile Phone Users Use Significantly More Minutes in 2000*, News Release, IDC, May 9, 2000.

134 *See* Appendix C, Table 1, at C-2.

135 Michael Rollins, *et al.*, Wireless by the Minute, Equity Research, Salomon Smith Barney, Jan. 8, 2001, at 4; Caroline E. Mayer, *Griping About Cellular Bills: Differences From 'Regular' Phones Take New Users by Surprise*, WASHINGTON POST, Feb. 28, 2001, at G17 (citing Travis Larson of CTIA); *Fifth Report*, at 17682.

136 This assumes that each churned customer is a unique individual and that the same customers do not churn multiple times.

137 Some subscribers do not sign on with another carriers once they leave their current one. *See* note 139, *infra*.

138 *See, e.g.*, Michael Rollins, *et al.*, *Wireless by the Minute*, Equity Research, Salomon Smith Barney, Jan. 8, 2001, at 27 (Figure 27: Subscribers).

139 *Wireless Phone User Habits Indicate That Switching Providers Is A Significant Industry Concern*, News Release, Telephia, Jan. 16, 2001. In addition to the 20 percent of subscribers who switched carriers in the past year, approximately 8 to 10 percent of wireless subscribers temporarily suspended, or in some cases disconnected, their service. *Id.*

140 *Id.*

of better network quality, and 10 percent left in order to take advantage of a competitor's promotion.[141] The survey also found that almost half (44 percent) of all wireless users have no strong commitment to stay with their current carrier.[142] In addition, according to another survey released in May 2000, only 60 percent of subscribers had a "contract,"[143] down from 70 percent a year earlier.[144]

(v) Market Entry

To track the level of competition in the mobile telephony market, the Commission has compiled a list of counties with some level of coverage by mobile telephone providers.[145] This analysis is based on publicly available sources of information released by the operators such as news releases, filings with the Securities and Exchange Commission ("SEC"), and coverage maps available on operators' Internet sites.[146]

There are several important caveats to note when considering these data. First, to be considered as "covering" a county, an operator need only be offering service in a portion of that county. Second, multiple operators shown as covering the same county are not necessarily providing service to the same portion of that county. Consequently, some of the counties included in this analysis may have only a small amount of coverage from a particular provider. Third, the POPs and square miles figures in this analysis include all of the POPs and all of the square miles in a county considered to have coverage.[147] Therefore, this analysis overstates the total coverage in terms of both geographic areas and populations covered.

To date, 259 million people, or almost 91 percent of the total U.S. population, have three or more

141 *Id.* Other common reasons for switching included calling coverage, customer service, additional product features, and an employer switching providers. *Id.*

142 *Id.*

143 For purposes of this report, a contract is for a specified period of time, as opposed to a month-to-month agreement.

144 *Mobile Phone Users Use Significantly More Minutes in 2000*, News Release, IDC, May 9, 2000.

145 In past editions of this report, the Commission provided summaries of estimated coverage by BTAs. Starting with the *Fifth Report*, the Commission decided to re-estimate and enhance these coverage maps using county boundaries in an attempt to provide a more precise picture of network deployments.

146 The Commission has buildout rules for geographic area licenses, although they do not require operators to deploy networks such that the entire geographic area of a specific license receives coverage. For example, the construction requirements for 30 megahertz broadband PCS licenses state that an operator's network must serve an area containing at least one-third of the license area's population within five years of the license being granted and two-thirds of the population within 10 years. *See* 47 C.F.R. § 24.203(a). Similarly, the construction requirements for 10 and 15 megahertz broadband PCS licenses state that an operator must cover one-quarter of a license area's population, or provide "substantial service," within five years of being licensed. *See* 47 C.F.R. § 24.203(b). The details concerning exactly which geographic areas or portions of the population should be covered to meet these requirements are left to the operators. In addition, decisions about whether to increase coverage above these requirements are left to the operators. For information on the buildout requirements for cellular licenses, *see* 47 C.F.R. §§ 22.946, 22.947, 22.949, 22.951.

147 All population figures are based on the Bureau of the Census's 2000 county population.