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December 20, 2001

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

Re: *Verizon Wireless LNP Forbearance Petition*
WT Docket No. 01-184: Ex Parte Presentation

Dear Ms. Salas:

On December 18, 2001, Verizon Wireless met with Commission staff to discuss Verizon Wireless' petition for forbearance of the wireless local number portability (LNP) requirements (WT Docket No. 01-184). This letter expands upon the topics discussed in the meeting and provides additional information to Commission staff.[1]

I. COMPETITION PROTECTS CONSUMERS BETTER THAN REGULATION

The Telecommunications Act of 1996 codified a "pro-competitive, deregulatory" framework for the telecommunications industry.[2] Fundamental to this approach is the idea that consumers are best protected in the first instance by competitive markets. This policy is particularly evident for mobile wireless services, where both Congress and the FCC have emphasized that government regulation is warranted only in circumstances where markets clearly fail to protect consumers.

The wireless telecommunications industry is robustly competitive.[3] As Chairman Michael Powell has stated, "I cannot imagine any other industry segment that can better laud their state of competition as "meaningful." Prices are down and falling. Innovation, churn and penetration are up and still climbing."[4] Seventy-five percent of U.S. consumers can choose

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[1] *See* Letter from L. Charles Keller, counsel to Verizon Wireless, to Magalie Roman Salas, Secretary, FCC (WT Docket No. 01-184), dated Dec. 19, 2001.

[2] Telecommunications Act of 1996, Joint Explanatory Statement at 1.

[3] *See*, e.g., VoiceStream Reply Comments at 2-3; Sprint PCS Reply Comments at 8-10; Western Wireless Reply Comments at 4-5; CTIA Reply Comments at 6-7; AT&T Wireless Reply Comments at 4-7.

[4] Remarks of Chairman Michael K. Powell before the Cellular Telecommunications Internet Association Wireless 2001 conference (Mar. 20, 2001).

among five or more wireless carriers, and ninety-one percent can choose among at least three.[5] Data show that this choice of providers is meaningful to consumers – because when consumers are not satisfied, they leave their carriers. In fact, each wireless carrier loses between 18 and 36 percent of its customers each year to competitors.[6]

The record clearly shows that there is no competitive "problem" for the LNP mandate to solve. The relevant question is whether LNP is needed – *not as an end in itself* – but as a tool to ensure that the competitive market protects consumers from high prices or unreasonable practices. As CTIA has stated, "Number portability is a regulatory solution intended to produce competition – something which already exists."[7]

Opponents of forbearance fail to grapple with two key facts: (1) in 1999, the FCC found that forbearance at that time was warranted because the CMRS industry was sufficiently competitive and (2) the FCC has since concluded, in its annual competition reports and elsewhere, that CMRS competition has since intensified. Given these facts, the case for forbearance is clear.

There is No Evidence that LNP Will Promote Additional Competition in the Wireless Marketplace

Opponents criticize carriers' estimates of the incremental cost to implement LNP (ranging in the hundreds of millions of dollars) as being unsubstantial.[8] However, there is little evidence of any significant competitive benefit that would accrue from the LNP mandate. The only rationale (consistent with the Section 10 standard) for imposing LNP is to spur additional competition (and thereby, to promote the public interest through competitive benefits to consumers, such as decreased rates).

Existing industry churn rates belie any assertion that the phone number is the driving force behind consumer choice. While customers who switch carriers for wholly separate reasons might take advantage of an offer to retain their numbers during the switch, such potential porting transactions do not represent any contribution by LNP to the competitiveness of the marketplace (but each transaction will yield additional costs to participating carriers). There are multiple factors that affect a customer's decision to change carriers. In asserting that the combination of having to change a handset and having to change a number yields a competitive barrier, the California PUC proves too much. Even if CMRS carriers are forced to incur the cost

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[5] *Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services*, Sixth Report, FCC 01-192 (rel. July 17, 2001), at 24-25.

[6] *Id.* at 23 ("Most wireless carriers report churn rates between 1.5 percent and 3 percent per month." T These churn rates annualize to 18-36 percent. *See id.*)

[7] CTIA Reply Comments at 5.

[8] The record reflects that small and rural wireless providers would be the hardest hit by the costs of implementing LNP. *See, e.g.,* Western Wireless Reply Comments at 6-7; ALLTEL Reply Comments at 3; Rural Cellular Assoc. Reply Comments at 3-5.

of LNP, some customers will still not switch carriers if they are more concerned with rate plans, service quality, customer service, coverage, contract termination requirements or handset requirements. There is no evidence that "but for" the lack of wireless LNP, customers would be switching carriers in far greater numbers. Imposition of an expensive and burdensome regulatory requirement must be based on more than speculation that some customers might like to keep their phone numbers when they change carriers.

Consumers Want Service, Coverage and Low Prices

The record does not establish consumer demand for wireless number portability in the marketplace. Recent data on consumer complaints regarding wireless service bear out Verizon Wireless' position that wireless carrier resources could be targeted better to address issues of true importance to consumers, such as network improvement and digital deployment. The FCC did not adopt the mandate because of customer demand for it. Speculation that customers might choose to port seriously misreads Congress' Section 10 forbearance standard.

The Commission's own recent report on consumer complaints[9] comprehensively surveys the types of concerns consumers have including service quality, coverage and billing issues. Nowhere does it mention the inability to retain a number when changing carriers as a consumer complaint about wireless service, or as a barrier to customers following through on a threat to change carriers. Neither do any of the FCC's detailed annual reports on the wireless industry. The high level of churn today demonstrates that customers are willing and able to change if they are dissatisfied with a wireless provider.

Wireless carriers are working hard to meet skyrocketing consumer demand for service. To do so, wireless carriers must focus their resources on network buildout, digital deployment, responsive customer service and the acquisition and development of additional spectrum. In its 1999 Order granting temporary forbearance, the FCC found that not imposing CMRS LNP at that time would serve the public interest by allowing CMRS carriers to devote scarce resources to expanding and enhancing coverage. That rationale remains true today.

Australia: the Number Portability "Fizzer"

NARUC asserts that the U.S. should follow in the footsteps of Australia and maintain LNP as a mandate for wireless carriers. Over two months into Australia's expensive mobile number portability ("MNP") experiment, however, industry analysts are describing the competitive impact as a "fizzer", not a boom.[10] At the two month mark, fewer than one percent of customers have ported their number, representing no appreciable increase in customer churn over pre-portability levels.[11] To make matters worse, Australia's largest carrier, Telstra,

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9 *FCC Consumer Information Bureau Releases First Report on Complaints and Inquiries Processed*, News Release, October 23, 2001.

10 *See* "Ringing no change", Australian IT, November 29, 2001 (attached). http://australianit.news.com.au/common/print/.

11 *Id.*

announced a 25% price increase last week, right on the heels of an announcement that it would no longer offer handset subsidies.[12] In fact, the evidence suggests that wireless consumers in countries with LNP pay higher rates than U.S. consumers.[13] As Australian IT reports, "MNP was meant to make it easier for the smaller guys. So far it hasn't." Beyond price increases, Australian consumers are facing delays in achieving successful ports (the regulatory guidelines call for a three hour wireless-to-wireless porting window, but at the end of November, less than 90 percent of the ports were completed in this interval).[14] Telstra also indicates on its customer authorization form that it may charge customers for the number portability service.

The Australian experience, if anything, supports forbearance.[15]

Leap's "One-Way" Porting Proposal is Illusory

Verizon Wireless' forbearance petition delineates the LRN-based network changes required for wireless carrier participation in TBNP and LNP, and seeks relief only from the additional tasks that would be required to provide the LNP service to customers.[16] Leap Wireless asserts that the additional costs of LNP largely can be avoided if wireless carriers are only required to port customers *out*. Leap's proposal must be rejected, because many of the tasks that must be completed cannot be neatly avoided by requiring wireless carriers only to port–out customers.

Of the six categories of additional tasks identified in Verizon Wireless' petition as attributable to porting, five are constant regardless of whether wireless carriers are required only to port numbers away from their systems. While there may be some cost savings attributable to a reduced volume of porting transactions if carriers only port numbers out, significant costs cannot be avoided. One-way porting would still require:

a. **Communication process with NPAC and other carriers.** TBNP and number portability both require communication with outside parties. Even if LNP is limited to porting out numbers, it will require a more robust and extensive communication system beyond that needed for TBNP. For example, porting out customers would still require a SOA interface between carriers for the required validation process before a number could be released.[17] Carriers can choose

12 *Id.*

13 Sprint PCS Reply Comments at 16; VoiceStream Reply Comments at 3.

14 *See* Australian Communications Authority, Media Release, 26 November 2001. http:// www.aca.gov.au/media.

15 *See also* Sprint PCS Reply Comments at 15-16.

16 *See* Verizon Wireless forbearance petition at Appendix, pp. 2-16.

17 If one or both carriers in the transaction do not have a SOA or LTI (Low Tech Interface) to provide the appropriate transactions to the NPAC, then the NPAC would charge a fee for utilizing a

whether to have an individually managed SOA or use a shared third party Service Bureau. The costs associated with service bureau transactions and the IT systems development cannot be avoided through one-way porting. Porting carriers also will need to establish and maintain transaction protocols, connection points, and contract and escalation procedures.

b. **Training of customer service personnel.** Verizon Wireless will still need to provide extensive training to all its customer service personnel to educate them regarding the porting process and the necessary inter-carrier communication requirements to ensure that customers are ported correctly. They will need to be able to explain to customers why they may be able to port their numbers in certain situations, but not in others, and to deal with any customer dissatisfaction associated with the porting process.

c. **System development for number inventory.** Verizon Wireless will still need to build new functionality into multiple systems relating to telephone number inventory. For example, the telephone number inventory will need to include new status types for numbers that are ported out and ensure that such numbers are not assigned to new customers (*i.e.*, not treated as if they were part of the available number inventory). Conversely, carriers must have a process in place to avoid stranding MDNs once a ported customer has disconnected his service. If a customer disconnects his service after porting-out, the receiving carrier must age the number before "snapping" the number back to the original carrier. This snapping back process will require carriers to have the capability to communicate with the NPAC in order for the original carrier to know when it can put particular MDNs back in their inventory for use without stranding the numbers beyond the aging period. The snap back issue may be significant for conservation because hundreds of thousands of wireless customers terminate their service each year. Leap's proposal would not eliminate this problem.

d. **Overhaul of reseller systems to accommodate reseller end user porting.** Facilities-based service providers have the responsibility for the telephone number inventory and may need to facilitate the inter-carrier number portability process, including pre-port communications. Even if resellers build their own infrastructure to support inter-carrier process, the facilities-based provider (as code holder) will still need to initiate and complete the porting transaction with the NPAC. Carrier operation groups that support resellers will need to be trained to handle porting transactions. The facilities-based carrier does not have the customer information for a reseller's end-user customer, but still must participate in the port remove request since it is the holder of the MDN. Again, Leap's proposal would not remove this burden on carriers.

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human interface to handle non-automated transactions. This would generate a cost factor each time a one-way port is requested and would create a continuous financial drain.

e. **Development and staffing of a porting center.** Significant levels of competitive churn exist already in the wireless industry and are a testament to the robust competition in the industry. If only a portion of customers who would otherwise switch carriers in the course of a year also choose to retain their telephone numbers, porting-out volumes will require a specialized pool of customer service representatives who are knowledgeable about LNP and devoted to this effort. Larger carriers may still need to hire, train, manage and supervise new employees to handle porting transactions.

One-way porting is not a complete solution because it assumes that customers only will need to port away from a carrier and will never desire to port back. The high incidence of churn in the wireless industry is evidence that consumers change carriers frequently, including switching back to a carrier they previously used. If the Commission orders one-way porting, it will be forcing the hand of wireless carriers to offer two-way porting, and to incur the associated burdens and expense (which either will be passed onto customers or will preempt other beneficial investments). LNP is either necessary for competition and consumer choice or it is not. The Commission cannot give short shrift to the Section 10 forbearance standard on the basis of the illusion that it is requiring only partial participation in LNP. Leap's speculation that one-way porting will avoid most of the costs and burdens of LNP is wrong.

<u>The Commission Can Let the Market Decide Whether Wireless Carriers Need LNP to Compete with Landline Carriers</u>

NARUC and a few state commissions wrongly assert that wireless LNP is particularly important because it will facilitate competition with landline service providers.[18] Once the network infrastructure for <u>pooling</u> is in place in November 2002 (MIN/MDN separation, LRN routing, NPAC communication, roaming system changes), wireless carriers would be able to elect to port with landline carriers if there is a competitive advantage from doing so. Roaming will be unaffected, provided that the Commission continues to require full deployment of pooling technology, including MIN/MDN separation.

For example, Leap Wireless states that its unique Cricket service could benefit from LNP. In fact, Leap asserts that it will implement LNP regardless of whether the FCC mandates it. Leap can do so <u>without</u> an FCC wireless LNP mandate. Once the common network-related changes required for thousand block number pooling ("TBNP") and LNP are completed in November 2002, Leap can choose to implement the remaining customer-related LNP requirements (*e.g.*, development of a service order activation process ("SOA"), a customer care operation, a porting center and service level agreements with other LNP capable carriers.)[19] Leap, or any other wireless carrier, could enter into porting arrangements with landline carriers

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[18] *See Ex Parte Presentation* from NARUC dated November 29, 2001, *Letter* to Chairman Powell from the Nebraska PSC, dated November 29, 2001, and *Letter* to Chairman Powell from the President of the California PUC, dated November 19, 2001.

[19] *See* Verizon Wireless Petition at Appendix, pp. 6-16.

(or other wireless carriers that choose to implement LNP) without adversely impacting ubiquitous roaming. No mandate is necessary.

Wireless Number Portability Is Not Legally Supportable Given the FCC's Endorsement of Technology Specific Overlays

The Commission's recent decision to lift the ban on technology specific overlays ("TSOs")[20] undermines the "landline competition" rationale for retaining the CMRS LNP mandate. While the FCC has not yet released the Numbering Resource Optimization ("NRO") Order identifying the exact conditions upon which TSOs will be authorized, it is clear that TSOs will foreclose wireline/wireless portability. This is because wireless numbers (with a wireless-specific area code) would not be transferable to wireline service providers and vice versa. Ironically, some of the same state commissions opposing LNP forbearance also advocated for state authorization to impose technology specific overlays. State commission support for TSOs undermines their allegations that wireless porting is necessary to facilitate landline competition. If these state commissions truly believe that wireless service should compete against wireline service, why would they seek authority to segregate wireless service providers into a separate area code and potentially impose anti-competitive dialing disparities on wireless customers? Similarly, it is difficult for the states to argue that the need to change numbers when changing carriers is a burden to wireless customers when they advocate requiring all wireless customers to change their numbers (give-backs) in conjunction with the implementation of TSOs. A wireless number portability mandate cannot be justified by an illusory need for wireline competition when states may impose TSOs, and thereby preclude wireless/wireline portability. The FCC's removal of the ban on TSOs seriously undercuts retention of the CMRS LNP mandate.

Wireless/Wireline Porting May Frustrate E-911

Forbearance is justified given evidence that LNP deployment may impair the functioning of E-911 systems. The Local Number Portability Administration Working Group ("LNPAWG") of the NANC issued its Third Report on Wireless/Wireline Integration issues over a year ago,[21] which identified technical obstacles to full wireless/wireline integration. The FCC has not resolved these persistent integration issues.

Chief among the outstanding issues is the wireline porting interval, which still stands at four days (*i.e.*, a one day LSR/FOC process plus three days to perform all the system updates and any physical work required to accomplish the port).[22] This interval, besides being unacceptable

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[20] *FCC Takes Additional Steps to Improve Telephone Numbering System Usage*, News Release, Dec. 12, 2001.

[21] *See* Verizon Wireless Reply Comments at 11. The LNPAWG is comprised of technical experts from wireline and wireless companies and other NANC stakeholders.

[22] By contrast to the 4-day wireline porting interval, wireless carriers may be able to complete ports in a matter of hours.

to the wireless industry and inconsistent with wireless customer expectations, presents problems for E-911. During the porting interval there will be a period of "mixed service" – wherein calls can be placed from both the wireless and wireline units – if the wireline disconnect does not occur simultaneously with NPAC activation.[23] Even though the industry has studied acceptable alternatives for shortening the porting interval, the alternatives also entail some period of mixed service.

Issues relating to mixed service are described in the LNPAWG's Second and Third Reports. According to the Third Report, the issue causing the most concern is callbacks from E-911 PSAPs. The PSAPs' ability to re-establish a connection with the calling party may be compromised during the wireline porting interval because of mixed service. For example, between the time when the wireless handset is activated with a ported number and the port is completed in the NPAC, all callbacks will continue to route to the wireline location. As the FCC is well aware, wireless carriers typically activate new handsets within 30 minutes or less. Thus, the customer could be using the wireless handset for as long as four days, during which time a call to 911 could be placed, and the PSAP callback would route to the wireline location.

The Third Report details call-back routing scenarios depending upon the stage of the porting process:

> **Before the NPAC and local SMS have been updated:**
>
> Between the time that the wireless phone is activated and when the NPAC SMS has been updated to reflect the port, any callback will go to the wireline phone, regardless of which handset was used to place the call.
>
> **After the NPAC and local SMSs have been updated, there are multiple possibilities:**
>
> If the donor service provider has activated a Ten-Digit Trigger, and the PSAP and the wireline phone service are in the same switch, any PSAP callback will go to the wireless phone, regardless of which was used to place the call.
>
> If the donor service provider has not activated a Ten-Digit Trigger, and the PSAP and the wireline phone service are in the same switch, any callback will go to the wireline phone (despite the NPAC SMS activation), regardless of which was used to place the call.
>
> If the PSAP and the wireline phone service are in different wireline switches, any callback will go to the wireless phone, regardless of which was used to place the call.

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[23] Basically, there are two types of mixed service: (1) when the wireless handset is activated prior to NPA activation and wireline and wireless phones can both originate calls; and (2) the NPAC activation has occurred but precedes the wireline disconnect, when both the wireless and wireline phones can originate calls.

The Third Report notes that in addition to the PSAP callback issue during the mixed service period, the Address Location Information (ALI) database used and maintained by the PSAPs to identify the location of the calling party may contain the invalid wireline location. In some cases, the wireline location data may not be deleted from the ALI database until a number of days after the port occurs.

The elusive competitive benefits of LNP do not outweigh the cost of calls from customers in need of emergency assistance.[24]

II. LNP FORBEARANCE IS CONSISTENT WITH THE COMMISSION"S NUMBER CONSERVATION OBJECTIVES

LNP Forbearance Is Consistent With Wireless Pooling in 2002

The California PUC misrepresents Verizon Wireless' petition for forbearance and wrongly asserts that the wireless industry could have implemented pooling sooner if LNP is, in fact, not a pre-requisite to pooling. Verizon Wireless' petition clearly states that the network changes required for porting are a pre-requisite to pooling, consistent with earlier industry representations. The requested forbearance from the requirement to provide the LNP service to customers does not change the timeline for completing necessary network changes for pooling. The changes to wireless networks critical for pooling (and porting) are being implemented concurrent with the availability of the technology and consistent with the deadlines imposed by the FCC's mandates.

Last week, the FCC rejected carrier petitions to postpone the pooling date.[25] A number of carriers and CTIA sought an extension of the pooling date due to significant concerns that wireless and wireline networks will not be able to handle porting volumes that may result from a simultaneous cut-over to TBNP and LNP. Given the lack of any competitive rationale to impose LNP next year, there is no justification for risking network reliability by imposing simultaneous pooling and porting mandates. With the pooling deadline firmly in place for November 2002, the FCC should forbear from imposing the LNP requirement and enable carriers to focus their resources on fulfilling their pooling obligations.

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24 Although the Commission might be able to avoid the problems presented by wireless-to-wireline porting by mandating only wireless-to-wireless portability, this would represent no significant cost savings to carriers (as no functions would be avoided and there would be minimal differential due to slightly lower porting volumes). A wireless-to-wireless porting mandate would quixotically only provide portability in the market that is already the most competitive.

25 *FCC Consumer Information Bureau Releases First Report on Complaints and Inquiries Processed*, News Release, October 23, 2001.

LNP Forbearance Does Not Foreclose Future Authorization of ITN or UNP

The California PUC asserts that wireless carriers should be required to undertake LNP today, just in case the FCC authorizes individual telephone number pooling (ITN) and unassigned number porting (UNP) some time in the future. But the FCC cannot lawfully retain a mandate based on speculation that it may, at some time in the future, impose some other mandate. The FCC has declined to implement ITN and UNP, citing the need to further study these initiatives, including potential network impacts. Also, the network changes that wireless carriers must implement for full participation in TBNP and LNP, *i.e.*, MIN/MDN separation and the LRN routing platform also will facilitate UNP and INP. Since this necessary network infrastructure will be in place by November 2002 to facilitate full thousand block number pooling, forbearance from LNP today will not foreclose future authorization of ITN or UNP, if or when it becomes warranted on conservation grounds.

MIN/MDN Separation Is Necessary For Full Wireless Participation in Thousand Block Number Pooling

Public Service Cellular and Mid-Missouri Cellular assert that MIN/MDN separation should be postponed if LNP forbearance is granted.[26] While Verizon Wireless recognizes that the costs of MIN/MDN separation are significant, there is no acceptable alternative if the FCC wants CMRS carriers to participate fully in pooling by November 2002. Separation of the MIN from the MDN is critical to maintain existing roaming network arrangements.[27]

In 1999, the NANC's Wireless Number Portability Subcommittee evaluated the "wireless pooling alternative" proposed by these rural carriers that would have eliminated the need for MIN/MDN separation, by utilizing a seven digit translation approach instead.[28] It determined that full participation in TBNP, equivalent to the way wireline carriers pool, requires MIN/MDN separation. Although this TBNP alternative had the advantage of avoiding the costs and complexities of MIN/MDN separation, there were two salient disadvantages: wireless carriers could contribute only non-contaminated thousands blocks to the pool and only one wireless carrier could participate in a given pooled NPA NXX code.[29]

In any event, the comments of Public Service Cellular and Mid-Missouri Cellular do not undermine Verizon Wireless' petition for LNP forbearance. The Commission may wish to examine the pooling issues raised by these carriers as part of its *Numbering Resource*

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[26] Public Service Cellular Reply Comments at 11-16; Mid-Missouri Reply comments at 12-19.

[27] Moreover, MIN/MDN separation also is necessary to enable wireless carriers to opt-in to LNP with wireline carriers if and when there is a competitive benefit to do so.

[28] Verizon Wireless Reply Comments at 21-22. *See* www.NPAC.com.

[29] If such an alternative were acceptable to the FCC, whose representatives were present at the NANC meeting where the alternative was discussed and discarded, the wireless industry could be implementing an inferior version of pooling today. Verizon Wireless supports full implementation of TBNP consistent with prevailing industry pooling guidelines and FCC precedent.

Optimization docket, but those issues have no bearing on whether Section 10 forbearance from LNP is warranted.

Consistent with section 1.1206(b)(1) of the Commission's Rules, this letter is being filed electronically in the above-referenced docket.

Sincerely,

VERIZON WIRELESS

By: John T. Scott III

John T. Scott, III

w/encl.

cc: Peter Tenhula
Kyle Dixon
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Ringing no change

Geoff Elliott
NOVEMBER 29, 2001

A FIZZER. That's the only way to describe what was meant to be the start of a dramatic new era in competition in Australia's $6 billion a year mobile phone industry.

You, the consumer, one of more than 11 million mobile phone users in the country, were meant to win big price discounts. There were going to be fantastic new mobile phone deals and it would be far easier to shop around and keep the suppliers - Telstra, Optus, Vodafone and Orange - on their toes.

But the industry's hype has fallen well short of the reality.

Mobile number portability means consumers can take their mobile phone number to a new supplier. It was introduced on September 25 and it's been one big yawn.

Changing telephone numbers was regarded as the big sticking point for true competition in the sector. That's because changing your mobile phone number is such a hassle. Business cards to change, friends to email. Mobile phone users would prefer to stay put.

Now people can swap mobile phone companies without changing their number. But not many have bothered to shop around. The unthinkable has happened: mobile phone prices are rising.

Figures this week from the Australian Communications Authority indicate that, in the first two months, just 90,000 people out of 11 million mobile phone users – less than 1 per cent - have switched mobile phone companies.

This percentage churn of customers is no different from any other month before MNP was introduced. International experience suggested up to one million people might have changed companies in two months.

This lack of "porting", as swapping your mobile company is called, is a development industry analysts were not predicting a few months ago.

"It's early days but the only conclusion you can come to is that people are not noticeably changing their behaviour because of it," says Keir Preedy, acting managing director of Optus's mobile phone division.

But giving people the freedom to move around with the same phone number was meant to be a huge boon to price competition, right?

Australia's largest mobile phone provider, Telstra, whose mobile phone service charges a premium to its 5.3 million customers, nearly half the industry's customer base, would be a big loser, right?

Wrong on both counts. Telstra has won hands down and executives at its On Air division are restraining themselves from saying "we told you so".

Stock market analysts a few months ago predicted that Telstra and Optus would lose market share to smaller players Vodafone and Hutchison. They now say pricing power in the mobile industry has swung back to these two big players.

It's a shock outcome but explained by savvy loyalty schemes offered by Telstra and intensive lobbying of its customer base by call centre teams across the country who make hundreds of thousands of calls to keep customers on side.

So confident was it with its position in the marketplace, Telstra announced last week it was hiking mobile phone charges. The flagfall charge on the cost of each mobile phone call is now 25c, compared with 20c before, which could add more than $100 million in revenue a year.

Whether Telstra's big win in MNP is good or bad depends on how you look at it.
As a consumer, it's bad because prices have undoubtedly firmed.

As a shareholder, it's good, because Telstra's mobile phone division has kicked some big goals this year, surprising analysts with stronger than expected revenues and surprising them again with its ability to retain customers after the introduction of MNP.

However, Telstra boss of mobile phones David Thodey rejects any analysis that suggests Telstra is a clear winner. "To speculate at the moment about who's won or hasn't won ... is not what I want to hear," he says.

"I think what people are missing is that this has created a completely different competitive landscape and the only way to get true results is looking at six-monthly and 12-monthly results."

The big revenue wins for Telstra, Optus and Vodafone will come from wooing big corporate clients, since in one hit they can get a one-off boost in subscriber numbers thanks to corporations boasting thousands of mobile phone-toting employees. Telstra now is the mobile phone supplier for Lend Lease and South Pacific Tyres, both former Optus customers.

Tattersalls and Dairy Farmers moved to Telstra and even before MNP came in Angus & Robertson and British American Tobacco switched. And Qantas and BHP Billiton have renewed their contracts with Telstra.

"I actually can't put my finger on many that we have lost," Thodey says.

Preedy says Optus, which has about a 19 per cent market share of the corporate mobile phone dollar, has plenty of announcements pending about big corporate wins from Telstra, which may be the reason for Thodey's hesitation in making too much of Telstra's early successes.

Preedy says the companies are working through contract periods before shifting.

"We have had some very notable successes with medium to large businesses; we have a sizeable queue," Preedy says. But, like Thodey, he says it is "too early to make great judgments".

Vodafone, battling with a massive cull of its workforce and attempting to reinvent its strategy, appears certain to have suffered the most this year in the upheaval in the mobile phone industry, apart from smaller players who were simply blown out of the water, like cut-price mobile phone retailer One.Tel, which collapsed in June.

Preedy says one reason MNP has not had a big impact is because of "the economic slowdown that is being felt across our industry".

"We haven't seen the volumes that we would have predicted but then the whole market has slowed down," he says.

Telstra's announcement last month that it would no longer offer handset subsidies - by the start of next year you'll have to pay for your mobile phone up front – has signalled that one of Australia's fastest grown consumer businesses has changedforever.

Growth is slowing. Telco companies have created a $6 billion revenue market from nothing in 10 years with a very handy device.

Now the battle to retain customers is intensifying. MNP was meant to make it easier for the smaller guys. So far it hasn't.

Thodey and Preedy say it's too early to call, but the jump in Telstra's share pricein the past two weeks from under $5 to more than $5.30 indicates that already some punters are laying their bets.