WILKINSON) BARKER) KNAUER) LLP

2300 N STREET, NW
SUITE 700
WASHINGTON, DC 20037
TEL 202.783.4141
FAX 202.783.5851
www.wbklaw.com
L. CHARLES KELLER
202.383.3414

January 10, 2002

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
Verizon Wireless LNP Forbearance Petition

Dear Ms. Salas:

On this date, Anne Hoskins of Verizon Wireless and the undersigned, on behalf of Verizon Wireless, met with K. Dane Snowden, Margaret Egler, Michele Walters, and Genaro Fullano of the Consumer Information Bureau; and Jared Carlson of the Wireless Telecommunications Bureau. The subject of the meeting was Verizon Wireless' above-referenced petition for forbearance of the wireless local number portability (LNP) rules.

In the meeting, we discussed the issues in the attached bullet sheet. We used the first page of the attached sheet as a handout; the sheet has been expanded to include competitive arguments regarding the consumer impacts of wireless LNP that were also discussed in the meeting.

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

Sincerely,

WILKINSON BARKER KNAUER, LLP

By: ________________________________
L. Charles Keller

Attachment

cc: K. Dane Snowden (w/attach.)
Margaret Egler (w/attach.)
Michele Walters (w/attach.)
Genaro Fullano (w/attach.)
Jared Carlson (w/attach.)

Wireless Number Portability Consumer Issues
Verizon Wireless – January 10, 2002

- Wireless LNP is Expensive
  - Carrier estimates:
    - Verizon Wireless: $62 million start-up; $40 million per year annually.
    - Sprint PCS: $52 million per year.
    - Cingular: over $250 million over the first 5 years.
  - Diverts resources from areas that *are* important to consumers: Third-party data show that wireless consumers are most frustrated with (1) coverage (dead spots and unanticipated roaming charges) and (2) network congestion problems (calling delays and dropped calls).
    - Coverage
      - The hundreds of millions of dollars per company that LNP would cost could be better spent to site new cell towers to fill in gaps in existing coverage or to extend coverage to currently unserved areas.
    - Network Congestion
      - The money spent on LNP could be better spent on expanding network capacity to alleviate network congestion.
  - Surcharges
    - Carriers in Australia, where wireless LNP was implemented in September 2001, are charging consumers for the service.

- Wireless LNP May Cause E-911 Callback Problems
  - To port a telephone number, the number portability database (NPAC) and ALI databases both must be updated. These 2 databases may not be updated at the same moment.
  - If one database had been updated but not the other, and a 911 call is placed, the PSAP terminal will receive incorrect location information (the location of the "other" phone).
  - The problem is exacerbated if there is a delay in terminating the former service, which is especially likely if the donor carrier is wireline.

- Wireless LNP Will Cause Delays in Service Activation
  - Currently, most wireless customers leave the store with an activated phone after approx. 30 minutes. Wireless customers have come to expect this level of immediacy.
  - Wireless-to-wireless porting interval is set to be 0.5 – 2.5 hours.
  - In addition to the porting interval, time is necessary for network activation of the phone.
  - Wireline porting interval is 48 hours. No wireline-to-wireless porting interval has been established.
  - If wireless number portability is implemented, customers are likely to face some delay in wireless-to-wireless ports and substantial delay in wireline-to-wireless ports.

- Consumers Will Face Some Porting Failures
  - It is known that a percentage of port requests fail or have problems completing.
  - Assuming no change in wireless churn rates and that only a portion of wireless customers signing up for service bring a phone number with them, porting volume will increase significantly.
  - As a result, a significant number of wireless customers per month will suffer number porting problems.

- Experience in Other Areas Does Not Support the Proposition that LNP Will Benefit Consumers
  - Wireless LNP in Australia (implemented September 25, 2001)
    - Churn rates have not risen since implementation.
    - The largest wireless carrier in Australia (Telstra) increased its prices 25%.
    - The largest carrier also eliminated consumer handset subsidies ($300 million annually).
    - LNP appears to have *harmed* wireless competition. The largest carrier's stock prices are up, it posted strong earnings in 2001, and expects better returns in 2002. Meanwhile, competitors are "hemorrhag[ing] as revenues dry up and losses mount."
    - Porting was supposed to take between 10 minutes and 2 hours, but large backlogs developed. Some ports have taken 3 days.
    - Several carrier LNP systems crashed, some several times.
  - Landline LNP in the United States
    - LECs began deploying LNP in October 1997. Since then, local telephone service prices have *increased* by 12.7%.
    - During that same period, *without* LNP, wireless prices have *fallen* 34.9%.

- Wireless LNP Is Not Needed for Consumer Protection.
  - Wireless customers switch when they are unhappy.
    - Over 20% of wireless customer switch carriers every year – without LNP.
    - 91% of U.S. population has choice among 3+ wireless carriers. 75% of U.S. population has choice among 5+ wireless carriers.
  - The fierce competition among wireless carriers is protecting consumers.
    - Wireless prices are declining over 10% per year. In 2000, the Cellular CPI *decreased* 12.3% (while the overall CPI *increased* by 3.4%).
    - Minutes of use per subscriber are growing at over 30% per year.
    - Long-term wireless service contracts are on the decline.
  - There has never been a monopoly for wireless service in this country. Thus, there is no need for market-opening measures.
    - (Congress mandated LNP for LECs, but not for wireless.)
  - Chairman Powell: Wireless "is the most competitive market in the communications industry…. [T]he facts are stubborn and they show this is a healthy and competitive marketplace."

AUSTRALIAN IT
http://australianit.news.com.au

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.