Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
Implementation of Section 6002(b) of the	)	WT Docket No. 02-379
Omnibus Budget Reconciliation Act of 1993	)	
	)	
Annual Report and Analysis of Competitive	)	
Market Conditions With Respect to Commercial	)	
Mobile Services	)	

RESPONSE OF VIRGIN MOBILE USA, LLC

Virgin Mobile USA, LLC ("VMU") is pleased to have the opportunity to describe its innovative wireless service offering in submitting this response to the *Notice of Inquiry* ("*NOI*") issued in the above-referenced docket.[1] In July 2002, VMU launched its national offering of "pay-as-you-go" commercial mobile radio services ("CMRS") as the first Mobile Virtual Network Operator ("MVNO") in the United States. VMU has increased CMRS competition by breaking the traditional wireless service mold and developing an innovative service platform specifically geared towards the previously underserved youth market.[2] VMU's service is refreshingly easy to understand and easy to use, and VMU effectively redefined the traditional prepaid service model by making it feature-rich and attractive to new groups of users.

VMU is a joint venture between Sprint Ventures Inc., an affiliate of Sprint PCS, and a United States affiliate of the Virgin Group, a diversified global organization comprised of over

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[1] *Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services*, WT Docket No. 02-379, Notice of Inquiry, rel. Dec. 13, 2002 ("*NOI*").

[2] *See NOI*, ¶ 57.

200 companies which are committed to reimagining products and services and delivering great quality, value, and a sense of exuberance to their customers. In addition to VMU, the Virgin Group has other MVNO telecommunications affiliates in the United Kingdom and Australia which are increasing wireless competition worldwide. In Great Britain, Virgin Mobile UK launched in November 1999 and now has over 2.3 million subscribers. On October 31, 2000, Virgin Group launched its service in Australia in a partnership with Optus. Although the target market and terms of service vary somewhat, the Virgin Mobile companies all offer their customers a service that is both a good value and exuberantly stylish.

I. VMU'S INNOVATIVE SERVICE OFFERING IS DESIGNED TO RESONATE WITH THE YOUTH MARKET.

The infrastructure backbone utilized by VMU's service offering is Sprint PCS's technologically advanced digital wireless network. VMU's service is also available nationally, consistent with the Sprint PCS service footprint (and including the footprints of most Sprint PCS affiliates).[3] VMU has tailored its service to focus on, and respond to, the particular needs of the youth market by simplifying various aspects of wireless service and offering unique value-added entertainment features that effectively distinguish its service from other carriers.

The VMU value proposition has received rapid customer acceptance and is clearly filling a void in the marketplace. After only six months of operation and with relatively low marketing expenditures, VMU is selling thousands of handsets each day and receiving overwhelmingly positive customer feedback. During this time (August 1, 2002 – January 31, 2003), VMU had a total of 350,000 net subscribers, and it averaged more than 2,000 new customer activations per

[3] *See NOI*, ¶ 40.

day in January 2003.[4] With 245,000 new subscribers in the fourth quarter of 2002 alone, VMU represented 6.4 percent of total net subscriber additions for that quarter across all wireless carriers.[5] VMU has also demonstrated its commitment to consumer service by voluntarily adopting a Phase II E911 deployment schedule that generally exceeds the benchmarks applicable to Tier III licensed carriers,[6] in advance of the FCC's recent rulemaking proceeding on the matter.[7]

A. VMU Makes Wireless Easy, with Simplified Sign-Up Procedures and No-Term Contracts.

VMU has redefined the wireless experience by making VMU's service easy to buy and easy to use. One of VMU's innovations is VMU's departure from the traditional wireless service contract. Instead of the one- or two-year term contracts common in the industry, VMU does not require any term commitment. This enables VMU to offer the youth market a service that is flexible enough to grow with customers, not tie them down, without the hurdle of a credit check that may be difficult for younger users to satisfy for lack of an established credit history. VMU customers are not surprised or overwhelmed by terms and conditions buried in fine print. Customers can simply go to one of VMU's thousands of retail outlets – including Best Buy,

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[4] *Id.* VMU submits this filing at this time to coincide with the public release of its latest subscriber information.

[5] *JPMorgan Equity Research* (Jan. 22, 2003) (determining industry net subscriber additions of 3.8 million).

[6] *See* First Update of Informational Filing Report of Virgin Mobile USA, LLC on Plans for Implementation of Wireless Enhanced 911 Phase II Automatic Location Identification (ALI) filed in CC Docket No. 94-102 on Dec. 30, 2002.

[7] *See Revision of the Commission's Rules to Ensure Compatibility With Enhanced 911 Emergency Calling Systems*, CC Docket No. 94-102; *Amendment of Part 2 and 25 to Implement the Global Mobile Personal Communications by Satellite (GMPCS) Memorandum of Understanding and Arrangement; Petition of the National Telecommunications and Information Administration to Amend Part 25 of the Commission's Rules to Establish Emissions Limits for Mobile and Portable Earth Stations Operating in the 1610-1660.5 MHz Band*, IB Docket No. 99-67, *Further Notice of Proposed Rulemaking* (rel. Dec. 20, 2002) (soliciting comment on the issue of reseller compliance with Phase II E911 obligations).

Circuit City, Target Stores, selected college bookstores, Sam Goody stores, and Virgin Megastores – to pick up a VMU starter pack. They can then activate their service at their convenience, 24 hours a day, 7 days a week, either on the Internet or by telephone.

B. VMU Offers Unique Features Which Add Value.

VMU has taken mobile services from mere voice telephony to a full-featured offering which includes a range of information and entertainment services.[8] Once customers have signed up for VMU's services, they are introduced to VMU's unique, value-added features. Aside from caller ID, voicemail, and call waiting, which are all included at no extra cost to VMU subscribers, VMU leverages the high quality Sprint PCS network to offer additional youth-oriented features, called VirginXtras. In addition to text messaging, other VirginXtras associated with VMU's service include:

- Wake Up Calls, featuring original messages from a variety of personalities;
- Rescue Rings – pre-arranged self-calls designed to provide an escape from a sticky situation – also featuring original VMU content and personalities;
- Fun Clips – humorous audio clips, jokes, and gossip that can be accessed during downtime or anytime;
- Hit List – a feature allowing VMU customers to use their handsets to listen to and vote on a top ten list of hit songs and, after voting, allowing customers to hear the overall results;
- Ringtones – a large selection of music clips available for download to customize subscriber handsets; and
- Movies – a feature allowing VMU subscribers to search for showtimes and purchase tickets in advance using their handsets.

VMU is currently developing a range of new applications for its users to enjoy and integrate into their networked, communications-based lives. Further demonstrating its dedication

[8] *See NOI*, ¶ 62.

and commitment to serving the youth market, VMU has entered into a strategic partnership with MTV Networks for exclusive wireless content and consumer products from MTV and VH1, as well as for additional wireless content from Nickelodeon and Country Music Television. VMU is offering its subscribers a variety of branded content as a result of this partnership, including games, graphics, ringtones, text alerts, and voicemails. Through these initiatives, VMU is establishing itself as the premier wireless service provider for the youth market.

II. VMU'S SIMPLIFIED PRICING STRUCTURE DEMYSTIFIES WIRELESS SERVICE.

VMU not only has created a feature-rich, youth-oriented service offering, but also it has paired the service with a simple, easy-to-understand rate structure particularly attuned to the needs of the target youth market. Although competition in the wireless market has increased, rate structures for most wireless service plans remain extremely and unduly complex. In response, VMU launched an innovative, straightforward, "no-hidden-charges" pricing platform.[9] VMU's rates are 25 cents per minute for the first 10 minutes of each day, and then 10 cents per minute thereafter. This pricing structure includes key features such as voicemail, caller ID, call waiting, and long distance charges. Surcharges, such as the Universal Service Fund charge, and taxes are included in these rates so customers know exactly what they will be charged and are not surprised by unexpected fees. There are no additional charges for activation, "peak" airtime, or roaming; usage rates are uniform nationwide, 24 hours a day, 7 days a week.[10] VMU's simplified rate structure successfully demystifies the cost complexities of wireless service plans.

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[9] *See NOI*, ¶ 34.

[10] *See NOI*, ¶¶ 35-36. Additional charges apply for certain VirginXtra features, including but not limited to downloading ringtones and sending text messages. Such charges are clearly set forth on VMU's website, www.virginmobileusa.com.

VMU's service is entirely "pay-as-you-go," further simplifying the customer commitment and increasing the overall value proposition of VMU's service. Not only are there no surprise charges for VMU's service, there are no monthly bills. As opposed to rigid, monthly "bucket" plans that obscure the per-minute cost of service, VMU customers have maximum flexibility and value because they pay only for the minutes they want.[11] Airtime replenishment (termed "Top-Up") is easy and convenient. Customers can top up their accounts online at www.virginmobileusa.com, through VMU's Central Intelligence at 1-888-322-1122, at any VMU retail distribution outlet, or at any one of thousands of convenience stores including 7-Eleven, Circle K, Wawa, Hess, and The Pantry. In addition, customers choosing to register with credit cards can automatically add money to their accounts on a monthly basis. So long as users replenish their accounts with at least $20.00 every 90 days, unused balances do not expire.[12] Only if a customer account is inactive for an additional 60 days are the phone number and remaining airtime lost. To keep customers apprised of their account status, VMU's handsets provide customers with one-click access to their balance information.[13]

VMU has thus taken prepaid service, which has historically been relegated to the credit-challenged, and made it attractive and cost-effective for a new group of users. VMU's combination of a feature-rich, "pay-as-you-go" offering with a straightforward rate structure breaks the traditional wireless mold and provides a fresh, flexible alternative that is particularly appealing to the youth market segment.

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[11] With bucket plans, depending on a subscriber's usage, the actual per minute charge can vary significantly per month. For example, if a subscriber pays $50.00 per month for 500 minutes per month but uses only 50 minutes that month, he has effectively paid $1.00 per minute for the service.

[12] This feature has made VMU's service attractive and affordable to low-volume subscribers who use mobile services only in cases of emergency.

[13] A patent is pending for this feature.

III. CONCLUSION

VMU's entry into the U.S. CMRS market has enhanced competition by simplifying wireless service and subscribership to address the needs of the previously underserved youth market. VMU's rapid acceptance in the marketplace demonstrates that VMU is providing customers better service and value than they have been receiving from other telecommunications providers. In addition, by delivering specialized content and innovative services tailored to the youth market, VMU is introducing new users to wireless service. VMU makes its feature-rich service even more attractive by combining it with straightforward rates and "pay-as-you-go" flexibility and value. As the first MVNO in the United States, VMU has increased competition by injecting fun and excitement into the wireless industry, and by extending wireless services to a wider range of customers.

Respectfully submitted,

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