EX PARTE OR LATE FILED

WILLKIE FARR & GALLAGHER LLP

1875 K Street, NW
Washington, DC 20006-1238
Tel: 202 303 1000
Fax: 202 303 2000

RECEIVED

MAY 20 2005

Federal Communications Commission
Office of the Secretary

HAND DELIVERY

May 20, 2005

EX PARTE

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
TW-A325
Washington, DC 20554

ORIGINAL

Re: **REDACTED -- FOR PUBLIC INSPECTION**
Applications for Consent to the Transfer of Control of Licenses and Authorizations from Nextel Communications, Inc. to Sprint Corporation

WT Docket No. 05-63

Dear Ms. Dortch:

On behalf of Sprint Corporation ("Sprint"), and in accordance with the Protective Order adopted in this proceeding,[1] an anticipated order adopting a Second Protective Order,[2] and instructions from Wireless Telecommunications Bureau staff, enclosed please find two copies of Sprint's redacted response to the Commission's Initial Information and Document Request ("Information Request") of April 29, 2005.[3] These materials are being submitted under the request for confidential treatment previously filed by Nextel

---

1 *Applications for the Transfer of Control of Licenses and Authorizations from Nextel Communications, Inc. and Its Subsidiaries to Sprint Corporation*, Order Adopting Protective Order, WT Docket No. 05-63, DA 05-423 (rel. Feb. 16, 2005).

2 *See* Letter from Regina M. Keeney, Lawler, Metzger, Milkman & Keeney, LLC and Michael G. Jones, Willkie Farr & Gallagher, to Catherine W. Seidel, Acting Chief, Wireless Telecommunications Bureau, WT Docket No. 05-63 (May 17, 2005).

3 *See* Letter from Scott D. Delacourt, Deputy Chief, Wireless Telecommunications Bureau to Vonya McCann, Senior Vice President, Federal External Affairs, Sprint Corporation, WT Docket No. 05-63 (Apr. 29, 2005).

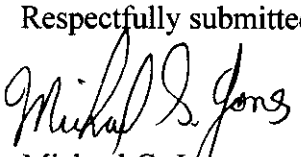
No. of Copies rec'd 0+1
List ABCDE

and Sprint and in accordance with the Commission's rules.[4] Further, even assuming *arguendo,* the FCC were to determine that some of these materials are not eligible for the more restrictive confidential treatment requested by Sprint and Nextel, they clearly are entitled to the protection afforded by the Protective Order. In that circumstance, therefore, such materials should be treated as confidential and and "Copying Prohibited" treatment under the Protective Order.

As required by the Protective Order, Sprint is also submitting separately under seal a copy of its confidential, unredacted response. In addition, Sprint will deliver two paper copies of both its redacted response and its confidential, unredacted response to Louis Peraertz, Spectrum and Competition Policy Division, Wireless Telecommunications Bureau.

The confidential version of the filing will be made available for public inspection pursuant to the terms of the Protective Order and the anticipated Second Protective Order. Arrangements for inspection may be made by contacting the undersigned counsel for Sprint Corporation.

Respectfully submitted,



Michael G. Jones
WILLKIE FARR & GALLAGHER, LLP
1875 K Street, N.W.
Washington, D.C. 20006
202-303-1000

Counsel for Sprint Corporation

cc: Louis Peraertz

---

[4] *See* Letter from Regina M. Keeney and Michael G. Jones to Marlene H. Dortch, WT Docket No. 05-63 (May 17, 2005); 47 C.F.R. §0.459.

FCC INTERROGATORY NO. 1

1. *Paragraphs 6, 68, 69, 73, and 134 of the Charles River Associates Declaration argue that independent wireless carriers such as Sprint and Nextel have stronger incentives to lower wireless prices, invest in wireless innovations, and deploy new services than ILEC-affiliated carriers. Provide empirical evidence to substantiate this statement. For example, given that Verizon Wireless was the first CDMA carrier in the United States to invest in the deployment of a high-speed wireless data network based on 1x EV-DO technology, is there any evidence that independent wireless carriers have invested in wireless innovations and deployed new mobile wireless services more rapidly than ILEC-affiliated wireless carriers?*

Response

The CRA Declaration noted that:

> Relative to an independent wireless provider, an ILEC-affiliated wireless provider has less incentive to lower wireless prices in areas in which it is the local exchange carrier. This is because lower wireless prices encourage some wireline customers to switch to wireless service, which reduces wireline profits. Thus, an ILEC-affiliated wireless provider would only value the incremental profits associated with a wireline-to-wireless subscriber switch, whereas an unintegrated wireless provider would value the total profit from adding a new subscriber to its wireless service. This adverse intermodal pricing incentive effect arises even if substitution between wireless and wireline is limited mainly to secondary lines and the two products comprise separate relevant antitrust markets. The magnitude of the impact on pricing incentives depends on the gains to the ILEC-affiliated wireless carrier from obtaining wireless customers from other wireless carriers as compared to the costs of 'cannibalizing' its existing wireline customers.
>
> In addition, an ILEC that is integrated into, and has a substantial share of, wireless service, also has the incentive to raise wireline prices relative to an unintegrated ILEC. This is because the integrated ILEC recognizes that higher wireline prices would cause some substitution to its own wireless carrier. In the case of Cingular-AT&T Wireless, the Commission could reasonably have concluded that the merger would increase somewhat the incentives of BellSouth and SBC to raise wireline prices because the now-affiliated AT&T Wireless would capture some of the lost customers. The extent to which integrated

> ILECs can act on this wireline pricing incentive depends upon the effectiveness of regulatory oversight.[1]

There is substantial evidence, including that previously noted by the Commission, that pricing and other competitive incentives of wireless carriers that are affiliated with wireline carriers are different from those of standalone wireless carriers. For example, in its *Order* approving the acquisition of AT&T Wireless by Cingular, the FCC noted:

> ...unlike Cingular whose strategies are influenced by SBC's and BellSouth's concerns about wireless revenues and access lines, AT&T Wireless is not likely to be concerned with the impact of its strategies on wireline revenues or access lines, except to the extent that they represent a potential source of new wireless customers. In fact, the documentary evidence indicates that AT&T Wireless sought to encourage mass market customers to cut the cord, and to develop technological enhancements and service offerings to encourage consumers to abandon the wireline network and to use wireless services in lieu of wireline services.[2]
>
> Evidence in the record indicates that Cingular has developed and marketed many of its wireless products and services to complement – and specifically not to replace – residential wireline voice services. Cingular developed this strategy largely because SBC and BellSouth play a significant role in Cingular's business decisions....These products and services are designed to integrate Cingular's wireless services with SBC's and BellSouth's wireline services, and thus, address the growth of wireline substitution....Evidence shows that there are current plans for products in 2005 which continue to address wireline retention issues and the record also demonstrates that SBC and BellSouth plan to use the acquisition of AT&T Wireless to further Cingular's existing wireline retention/integration initiatives.[3]
>
> With the acquisition, Cingular will have a greater number of wireless subscribers in its parent company regions, which increases the number of actual or potential Cingular subscribers that have SBC or BellSouth as their wireline provider. This would further reduce Cingular's incentives to make available wireless substitute offerings, as Cingular wireless customers would end up reducing the number of SBC and BellSouth wireline access lines by cutting the cord. As a result, it

---

1 Joint Declaration of Stanley M. Besen, Steven C. Salop, and John R. Woodbury, February 8, 2005, ¶¶ 69-70, footnote omitted ("CRA Declaration").

2 Applications of AT&T Wireless Services, Inc. and Cingular Wireless Corporation For Consent to Transfer Control of Licenses and Authorizations, Memorandum Opinion & Order, 19 FCC Rcd 21522, ¶ 243 (2004).

3 *Id.* ¶ 244.

> appears that Cingular is unlikely to initiate its own wireless substitute offering post-acquisition in the SBC and BellSouth regions. Thus, one potential harm arising from Cingular's acquisition of AT&T Wireless is an increased disincentive for the merged entity to offer new innovative plans that would further intermodal competition in these areas.[4]

Although the Commission ultimately concluded that the public interest benefits of the Cingular-AT&T Wireless transaction outweighed the potential public interest harms, its analysis of the transaction clearly identified differences between competitive incentives of wireless carriers that are integrated with ILECs and those that are not. An important implication of this analysis is that, other things being equal, a merger between two standalone wireless carriers raises fewer competitive concerns than does a transaction in which one or both of two merging wireless carriers is also a significant local exchange carrier. The first type of merger does not adversely affect competition between wireline and wireless services, whereas the second does.

In its *Ninth Report* on competitive market conditions for commercial mobile radio services, the FCC noted that "[e]vidence continues to mount...that consumers are substituting wireless service for traditional wireline communications."[5] The Commission observed that the previous year's report "discussed the effects of mobile telephone service on the operation and financial results of companies that offer wireline services. Such effects included a decrease in the number of residential access lines, a drop in long distance revenues, and a decline in payphone profits. In 2003 these trends continued, with the four largest LECs losing 4 percent of their access lines, and wireline long distance revenues declining further. One analyst stated that 'wireless cannibalization remains a key driver of access line erosion.'"[6] The previous year's report also noted that there was "much evidence...that consumers are substituting wireless services for traditional wireline communications."[7]

The Commission's findings are consistent with the results of recent economic research. For example, Rodini, Ward, and Woroch ("RWW"), using U.S. household survey data for the period 2000-2001, analyzed the substitutability between fixed and mobile telecommunications services. They found that "[e]stimated cross-price elasticities confirm that second fixed lines and mobile services are access substitutes. In particular,

---

4 *Id.* ¶ 245. The Commission also noted that if AT&T Wireless had been acquired by an independent wireless carrier, "the merged entity would have experienced an increase in concentration of spectrum that would have prompted the introduction of innovative plans designed to encourage wireline replacement." *Id.* ¶ 246.

5 Implementation of Section 6002 (b) of the Omnibus Budget Reconciliation Act of 1993, Ninth Report, 19 FCC Rcd 20597, ¶ 213 (2004).

6 *Id.*

7 Implementation of Section 6002 (b) of the Omnibus Budget Reconciliation Act of 1993, Eighth Report, 18 FCC Rcd 14783, ¶ 102 (2003).

we find a significant response in mobile subscription to fixed line rates."[8] RWW concluded that "...mobile and fixed service will become greater substitutes over time."

A more recent study by Loomis and Swann used semiannual data from June 2000 to June 2002 for all U.S. states and the District of Columbia to analyze substitution between, among other things, wireline and wireless service. They found that "wireless development has a decided competitive impact on incumbents but no measurable impact on CLECs."[9] Loomis and Swann also noted that:

> ...major ILECs include the RBOCs, Verizon Communications, SBC, BellSouth, and Qwest Communications. Besides providing high-speed services... they each have ownership interests in major wireless carriers as well.... Consequently decisions that are made about how to compete in one market implicitly affect the competitive outcome in additional markets in which these carriers operate.

There are numerous examples where independent wireless carriers, such as Sprint, Nextel, T-Mobile and AT&T Wireless (before it was acquired by Cingular), demonstrated a stronger incentive than their ILEC-affiliated competitors to be first to lower wireless prices and to invest and deploy wireless innovations. Given that independent wireless carriers do not offer a "full telecom bundle," their incentives are necessarily greater than those of ILEC-affiliated wireless carriers.

In addition, the substitution between wireline and wireless service does not affect independent carriers to the same extent that it affects ILEC-affiliated carriers, thereby increasing the incentive of independent carriers to compete more aggressively than ILEC-affiliated carriers. Research from Advanis Inc. shows that greater percentages of wireless subscribers of independent carriers are wireless-only subscribers than are the subscribers to ILEC-affiliated wireless carriers. According to Advanis, the percentage of wireless subscribers who only use wireless service and have not had wireline service for the year to date (through April 2005) is:

Sprint = 4.7%
Nextel = 4.7%
T-Mobile = 4.1%
Old AT&T Wireless = 3.4%
Verizon Wireless = 2.8%
Old Cingular = 2.4%

---

8 Mark Rodini, Michael Robert Ward, and Glenn A. Woroch, *Going Mobile: Substitutability Between Fixed and Mobile Access*, Haas School of Business, Center for Research on Telecommunications Policy Working Paper CRTP-58 (Dec. 2002), *available at* http://ssrn.com/abstract=379661.

9 D.G. Loomis and C.M. Swann, *Intermodal Competition in Local Telecommunications Markets*, Information Economics and Policy, 97-113 (2005).

Listed below are just some examples of where Sprint, Nextel, T-Mobile and AT&T Wireless, all independent wireless carriers, demonstrated their greater incentives to be first to market with a new innovation or service offering.

Long Distance Included Plans (Sprint) – In January 1998, Sprint rolled out free long distance plans to customers, called Sprint PCS Free & Clear. Sprint PCS Free & Clear plans started at $49.99 and allowed customers to call across the street or across the nation from anywhere on the Sprint PCS nationwide network. At the time, this was an industry first, which is seen as mainstream today.

Add-A-Phone (Sprint) – In April 1999, Sprint rolled out add-a-phone for subscribers. The offering enabled subscribers to share minutes between two lines on a single MRC for an additional $20.00 add-a-phone charge. At the time, this was the first add-a-phone service offered by a carrier, which is seen as mainstream today.

Account Spending Limits (Sprint) – In April 1999, Sprint rolled out Account Spending Limit plans in a few markets. The plans were introduced nationally by September 1999. Spending limit plans provided customers with attractive postpaid rates relative to the prepaid rates existing at the time. In addition, customers were notified of how close they were to meeting their limit to assist them with controlling their wireless spending.

Wireless Web (Sprint) – In September 1999, Sprint nationally launched the first ever U.S. wireless web with speeds of 14.4 kbps. The PCS Wireless Web was a suite of simple, user-friendly wireless data products and services (e.g., news, games, stock quotes, etc.). The product was considered innovative and revolutionary in the U.S. wireless industry.

Voice Command (Sprint) – In August 2000, Sprint introduced Voice Command, the first nationwide network-based voice-activated dialing and information service. Sprint made it possible, using speech recognition technology, for PCS Voice Command customers to dial, look-up directory names, modify their address book entries, and perform various speech-enabled, voice-independent functions while using any Sprint PCS phone.

Handset Firsts (Sprint) – Sprint has worked closely with its handset vendors to provide innovative solutions for wireless subscribers before ILEC-affiliated wireless competitors could bring similar products to the market. Listed below is a sample of Sprint's first-to-market handset offerings:

- 5/01 – First full color phone (Sanyo SCP-5000).
- 7/01 - Thinnest phone in U.S. measuring 0.39 inches in depth. (Sanyo SCP-6000).
- 10/01 – First GPS-enabled phone.
- 10/01 – First color screen, fully integrated, Palm Powered phone (Samsung SPH-I300).
- 4/03 – First built-in camera phone for under $100 (Sanyo SCP-8100).

- 7/03 – First Pocket PC with integrated camera, built-in keyboard and wireless phone (Hitachi SH-G1000).
- 7/03 – First Picture Mail phone with a patented rotating flip screen (Samsung A600).
- 07/04 – First one-megapixel camera phone (Audiovox PM-8920).
- 08/04 – First phone to deliver streaming audio and video at 15 frames per second (Samsung MM-A700).
- 05/05 – First two-magapixel camera phone (Samsung MM-A800).

Wireless MVNOs (Sprint) – Sprint has distinguished itself as the leader in Mobile Virtual Network Operator partnerships. In July 2002, Sprint was the first major carrier to invest in a startup MVNO, Virgin Mobile, which created a competitively priced prepaid wireless offering targeting the youth market segment. Virgin Mobile's offering represented a different value proposition for the youth market segment. Sprint is an equal equity partner with the Virgin Group in the Virgin Mobile relationship, which calls for Virgin Mobile to use Sprint PCS's network exclusively.

PCS Vision / Wireless Data Services (Sprint) – In August 2002, Sprint was the first carrier to achieve true nationwide 3G 1xRTT network coverage. The 1xRTT network allowed Sprint to launch applications nationwide that enable full-color, easy-to-use services such as messaging and e-mail, enhanced web browsing, and color games and pictures. While Verizon launched 3G 1xRTT in several markets in May 2002, it did not have full nationwide coverage until after Sprint had begun offering its services nationwide.

Ringers (Sprint) – In June 2003, Sprint was the first U.S. carrier to deliver ringers from actual songs through a partnership with Sony Music Entertainment. In the same month, Sprint also became the first U.S. carrier to offer mobile full-length streamed music tracks in partnership with Warner Music Group.

MobiTV (Sprint) – In November 2003, Sprint became the first carrier to offer MobiTV, a service that allows wireless subscribers to access television content on their handsets. Other carriers did not follow until almost a year later (AT&T Wireless in October 2004 and Cingular in January 2005).

Fair & Flexible (Sprint) – In May 2004, to differentiate itself from competitors and improve goodwill among wireless customers, Sprint introduced its Fair and Flexible pricing plan. Compared to competitors who charge upwards of $0.40/minute for overage minutes exceeding their plan's MRC, Fair and Flexible plans only charge $5 for each 100 minute increment by which customers exceed their MRC minute bucket. The Fair and Flexible offering demonstrates Sprint's incentive to lower wireless prices and simultaneously improve customer satisfaction.

Streaming Audio and Video (Sprint) – In August 2004, Sprint became the first U.S. carrier to launch streaming audio and video at up to 15 frames per second through Sprint PCS Vision Multimedia Services.

Managed Mobility Services (Sprint) – In March 2005, Sprint was the first wireless carrier to introduce end-to-end management of wireless devices and services for business customers through its "Managed Mobility Services" (MMS) solution. With business customers having tremendous problems managing their wireless devices, this offering provides device fulfillment, asset management, customized delivery of applications, enhanced billing/pricing management options and device security.

Java-enabled wireless handsets (Nextel) – In April 2001, Nextel became the first U.S. carrier to offer Java-enabled phones with the launch of the Motorola i85s and i50sx. These phones came equipped with Java 2 Micro Engine (J2ME), a stripped down version of Java that enables applications to function on several different devices. At the time, without J2ME, programmers would have to rewrite each application for each wireless platform.

Nationwide Direct Connect (Nextel) – By the end of 2003, Nextel launched its Nationwide Direct Connect service. Prior to this time, Direct Connect users could only use the push-to-talk (PTT) service on a regional basis. Nationwide Direct Connect set Nextel apart in the PTT category and is an example of how it has innovated to defend its market position.

BlackBerry Speakerphone (Nextel) – In January 2004, Nextel introduced the BlackBerry 7510 Wireless Handheld, the first BlackBerry equipped with a speakerphone. At the time, the BlackBerry 7510 was the only BlackBerry handheld to offer PTT functionality.

FLASH-OFDM (Nextel) – In February 2004, Nextel began a trial of a next-generation wireless broadband data network to select customers in the Raleigh-Durham market. The service utilized technology based on FLASH (Fast Low-latency Access with Seamless Handoff)-OFDM (Orthogonal Frequency Division Multiplexing), an air interface technology designed for delivery of advanced Internet services in the mobile environment. At the time, it was the only carrier to offer OFDM.

$54.99 / 10,000 MOU (Nextel) – In March 2004, Nextel introduced a 10,000 minute plan at the $54.99 price point. The plan included 1000 anytime minutes, 5000 night and weekend minutes and 4000 Push to Talk minutes. The 10,000 minute plan was an innovative way to lower pricing and increase value perception.

Off-Network PTT (Nextel) - Nextel introduced plans for an off-network push-to-talk service in March 2004. The service relies on an extra radio inside each mobile phone to work even when the device is not connected to the network.

Voicemail to Email (Nextel) – In June 2004, Nextel was the first carrier to introduce a service that allows subscribers to record a voice message and send it to anyone with an e-mail address. The service, called NextMail, was built on the company's PTT service.

Wireless Digital Maps (Nextel) – In March 2005, for the first time in the wireless industry, Nextel and MapQuest introduced the use of MapQuest's digital maps and directions to provide location-based services exclusively on Nextel's GPS-enabled

phones. The innovative "MapQuest Find Me" service offering helps users pinpoint their locations on their phones, find nearby locations (e.g. restaurants, hotels, airports, hospitals), and get maps and directions.

$39.99 / 1000 Whenever Minutes (T-Mobile) – In October 2002, T-Mobile became the first carrier to lower pricing for 1000 Anytime Minutes to $39.99/month. Except for a brief hiatus from March 2005 to April 2005, T-Mobile has consistently emphasized this price point in its advertising and has become known as a price leader in the industry. These actions resulted in T-Mobile having the highest annual net subscriber growth rate in 2003 and 2004, as well as the highest overall customer satisfaction ratings among the national carriers as measured by J.D. Power & Associates.

Unlimited data pricing for Wi-Fi (T-Mobile) – As the carrier with the most Wi-Fi (802.11) hotspots in the U.S., T-Mobile been a leader in making Wi-Fi available to the mass market consumer. In 2003, T-Mobile became the first carrier to offer an unlimited data pricing model with a $19.99 MRC for existing wireless voice customers. T-Mobile claims that 35% of existing hotspot subscribers are cellular customers, and 60% of new WiFi subscribers are existing or new cellular voice subscribers.

Video Messaging (T-Mobile) – In March 2003, T-Mobile became the first U.S. based wireless operator to introduce video messaging. This offering enabled T-Mobile customers to record 10-second video with audio messages and share video messages via email.

3-Day Unlimited Weekends (T-Mobile) – In November 2003, T-Mobile was the first U.S. carrier to introduce a 3-Day (Friday, Saturday, Sunday) unlimited weekend calling plan. Specifically, the plan was $39.99 for 600 Whenever Minutes and 3-Day Unlimited calling.

AT&T One Rate (AT&T Wireless) – In August 1998, AT&T Wireless was the first U.S. wireless carrier to offer an all-inclusive plan that included "free roaming." The AT&T Digital One Rate Plan was the first to offer a bucket of local and LD calling with no extra roaming fees. The plan started originally at $99.99 and was positioned to businesses. At a time when roaming fees were high and carriers were building out their network coverage, the plan was seen as a relief by consumers.

Quad-mode phone (AT&T Wireless) - AT&T Wireless was the first to develop a wireless "quad-mode" handset with Mitsubishi Wireless that offered connectivity to CDPD, 800 MHz TDMA, 1900 MHz TDMA and AMPS networks. The MobileAccess T250 was touted as the "first and only" wireless handset to function on both packet and digital voice networks.

SMS Interoperability (AT&T Wireless) – According to IDC, AT&T Wireless was the first national carrier to widely launch SMS interoperability in November 2001.

Free Mobile-to-Mobile Calling (AT&T Wireless) – While only a brief new service offering, on January 30, 2004, AT&T Wireless unveiled a new free mobile-to-mobile calling plan that provided new and current customers with the ability to make unlimited

domestic calls to each other at no charge. AT&T Wireless was the first carrier to increase the perception of value to the consumer through the inclusive mobile-to-mobile calling plans. On the next day, January 31, 2004, Verizon unveiled its free "IN" network calling plans, allowing Verizon Wireless customers to call one another free of charge.

FCC INTERROGATORY NO. 2

2. *Describe and document efforts by Sprint to collect and analyze information on their competitors, including in the following areas: (a) pricing plans and other terms of mobile wireless service offered to the general public; (b) special promotions; and (c) prices, volume discounts, and other terms of mobile wireless service for contracts negotiated with large business customers. Identify the sources from which such information is collected. Identify any limits and constraints on the ability of Sprint to collect information in the above areas. Describe and document how Sprint uses such information to design their own pricing plans, other terms of mobile wireless service, promotions, and more generally to develop strategies for attracting and retaining customers.*

Response

REDACTED IN FULL

RESPONSIVE DOCUMENTS REDACTED IN FULL

FCC INTERROGATORY NO. 3

3. *Identify and document all material instances, from January 2001 to the present, in which Sprint was the first carrier to introduce an innovative mobile wireless pricing plan or mobile wireless service offering that other carriers subsequently copied or for which they introduced competing versions.*

Response

Below is a comprehensive list of material instances, from January 2001 to the present, in which Sprint was the first carrier to introduce an innovative mobile wireless service offering or pricing plan. Where information is available, subsequent and competing offerings from other carriers are mentioned. We have attached supporting documentation in separate files, where available, for this list of Firsts and Milestones and competitor responses. The list of firsts (innovations) is in chronological order. In addition, we have listed in chronological order other milestones that were innovative, but may not have been first in the industry. Please see attached documents Nos. SC-03-00001—SC-03-00147.

Firsts

1/01 – First U.S. based wireless handset-based Spanish-language web site, Wau.com. In March 2001, Cingular announced at CTIA that it would launch Mi Ventana Mobile, a Hispanic wireless internet portal. (Source: CTIA)

3/01 – First carrier to introduce a full color phone in U.S. (Sanyo SCP-5000). By November 2002, all major wireless carriers had introduced handsets with full-color screens. (No Competitive Source)

5/01 - First carrier to make voice-enabled web content available nationwide. By December of 2001, Cingular and others has launched voice-enabled web content. *See* Industry InSight! Article "Cingular Unveils Voice Connect."

6/01 – First carrier to introduce the thinnest phone in U.S. at that time measuring 0.39 inches in depth. (Sanyo SCP-6000). (No Competitive Source)

8/01 - First carrier to offer Spanish-language invoices to customers nationwide. In 2003, Cingular started offering Spanish contracts, Spanish bills, and Spanish collateral. Other carriers, such as Verizon and T-Mobile, offer similar services in Spanish. (Source: Company Web sites)

10/01 – First U.S. carrier to offer a GPS-enabled phone. Verizon Wireless was second to market with a GPS-enabled phone in December 2001 and a nationwide network rollout of A-GPS in 2002. Nextel launched in October 2002. (Source: Directions Magazine)

10/01 – First North American carrier to offer a color screen, fully integrated, Palm Powered wireless phone (Samsung SPH-I300). Verizon followed with the Kyocera 7135

Smartphone in fall of 2002. The clamshell device featured a high-resolution screen with 65,000 colors and an MP3 player. (Source: Mercury News)

12/01 – First U.S. carrier to offer E911 Phase II services with a handset-based location technology. On December 27, 2001, Verizon Wireless announced it would also launch an E911 handset based solution. (Source: Wireless News Factor)

8/02 - Sprint introduces PCS Vision, making it the first to launch nationwide applications that enable full-color, easy-to-use services such as messaging and e-mail, enhanced web browsing and color games and pictures. While Verizon launched markets before Sprint in May 2002, Sprint was the first to have nationwide 3G 1X network coverage. Verizon continued to expand their 3G 1X network after Sprint's national launch. (Source: Wireless Review)

10/02 - First carrier in the U.S. to offer a phone with built-in camera. T-Mobile introduced two handsets with built-in cameras (Ericsson T300 and Motorola T720i) in November 2002. (Source: T-Mobile press release). Today, all major US carriers offer built-in camera phones.

10/02 - First U.S. carrier to offer flat-rate pricing for 3G wireless data services. Prior to Cingular's acquisition of AT&T Wireless, mMode customers could sign up for a $24.99 Unlimited data plan. Verizon has mirrored Sprint's flat rate pricing with its introduction of Vcast Vpak. (Source: Wireless Week)

01/03 – First carrier to offer a wireless streaming music clip subscription service through Warner Music Group. Other carriers have since followed this Java-based application with music subscription services. (No Competitive Source)

02/03 – First U.S. carrier to deliver an on-demand wireless multimedia service, 1KTV. Today, 1KTV is offered by Cingular and Nextel. (Source: 1KTV web site)

06/03 – First U.S. carrier to deliver ringers from actual songs in partnership with Sony Music Entertainment. Cingular introduced a similar service, "Super Tones," in August 2003. (Cingular press release)

06/03 – First U.S. carrier to offer mobile full-length streamed music tracks in partnership with Warner Music Group. Verizon Wireless announced partnership with Warner Music Group, offering music video streaming in January 2005, as part of its VCast package launch. (Source: Verizon press release)

07/03 – First U.S. carrier to introduce a Pocket PC with integrated camera, built-in keyboard and wireless phone (Hitachi SH-G1000). T-Mobile announced launch of HP iPaq h6315 Pocket PC with integrated VGA camera in July 2004. (eWeek, 7/26/04)

07/03 – First U.S. carrier to introduce an attachable game pad. (No Competitive Source)

07/03 – First U.S. carrier to launch a Picture Mail phone with a patented rotating flip screen (Samsung A600). VZW introduced a rotating screen phone in Feb. 2004 (Samsung SCH a610). (Source: Verizon Wireless Press Release).

10/03 – First U.S. carrier to offer Unlimited Nights and Weekends to wireless customers. Both Nextel and AT&T Wireless soon followed with a similar offer. T-Mobile responded with stretching its weekend calling to Fridays. (Source: Buffalo News, Money Section 10/03)

11/03 – First U.S. carrier to offer "live" television (MobiTV) on a handset. AT&T Wireless followed in October 2004. None of Sprint's competitors launched "live" TV until after Sprint had already launched a streaming version. AT&T quietly launched MobiTV with 21 channels available on one handset from Nokia via their EDGE network in October 2004. (MobileTracker.net report, 10/04)

07/04 – First U.S. carrier to offer a one-megapixel camera phone (Audiovox PM-8920). Verizon Wireless was next to offer a >1-megapixel camera phone in August 2004. (SOURCE: Kansas City Star article by David Hayes dated Aug. 22, 2004)

08/04 - Sprint launches Sprint PCS Vision Multimedia Services, streaming audio and video at up to 15 frames per second through the Samsung MM-A700. Verizon followed with VCast, a streaming audio and video clip service in February 2005. (Source: Verizon Press Release)

08/04 – First U.S. carrier to offer business customers standard Service Level Agreements (SLAs) for Wireless Voice Services. (No Competitive Source).

12/04 – First U.S. carrier to offer commercial free, genre-based streamed music with Music Choice. Verizon Wireless and Cingular announced plans to introduce music-downloading service later in 2005. (Source: BusinessWeek)

03/05 – First U.S. carrier to offer business customers nationwide Service Level Agreements (SLAs) for Wireless Data Services. (No Competitive Source).

03/05 - First U.S. carrier to offer complete, end-to-end management of wireless devices and services for business customers through Sprint Managed Mobility Services. (No Competitive Source).

03/05 - First U.S. carrier to offer music fan video ringers. (No Competitive Source).

04/05 – First U.S. carrier to deliver live news from Fox News via Sprint PCS Vision Multimedia Phones. No competitors offer this service yet, however, Verizon Wireless' VCast offers Fox News clips (not live) with higher picture resolution. (No Competitive Source).

04/05 - First U.S. carrier to location-enable 411 and to location-enable a roadside assistance offer via voice-based services. (No Competitive Source).

05/05 - First U.S. carrier to launch a two mega-pixel camera phone (Samsung MM-A800). (No Competitive Source).

Milestones

02/02 - Sprint introduces the availability of Sprint PCS Business Connection℠ Personal Edition, a software solution that enables individuals to access their corporate e-mail on PCS Phones and wirelessly connected devices.

03/02 - Sprint introduces the ability for PCS customers to send and receive messages to and from other carriers' phones through the new Intercarrier Messaging feature of PCS Short Mail.

05/02 - Sprint announces agreements to provide key cutting-edge 3G game content to PCS phones with Sega, THQ, Midway Games, Cybiko, JAMDAT Mobile, nGame and Blue Lava Wireless.

08/02 - Sprint and Novatel Wireless announce availability of PCS Connection Card™ enabling high-speed nationwide wireless connectivity.

03/03 - Sprint offers voice ringers for customers to personalize their PCS Phones.

03/03 - Sprint introduces two Vision-Capable PCS Phones with Microsoft Windows Powered Pocket PC software featuring high-speed Web browsing, wireless email, built-in cameras and Windows Media Player.

03/03 - Sprint launches PCS Telemetry℠ Services offering high-speed wireless connectivity option for key verticals and an alternative for CDPD.

04/03 - Sprint announces that it has more voice coverage with PCS Free & Clear America and more data coverage with the enhanced Sprint Nationwide Network than any other wireless carrier.

04/03 - Sprint introduces Picture Mail, giving customers flat-rate data pricing, an online album at no additional charge, attachable voice memo and the ability to wirelessly share pictures with more people in more places.

04/03 - Sprint launches PCS Voice Command℠ Business Directory, giving mobile employees virtually hands-free access to important business contacts.

05/03 - The first rugged Pocket PC mobile computer is certified for use on the enhanced Sprint Nationwide PCS network.

08/03 - Sprint launches RealOne Mobile, bringing comprehensive, brand-name mobile streaming multimedia service to PCS Vision customers nationwide.

10/03 – Sprint introduces the $5 America attachable, enabling customers to roam in the largest coverage area at that time.

10/03 – Sprint offers Free PCS to PCS on Multi Line Accounts.

11/03 – Sprint offers Free Add-A-Phone on Plans of more than $100.

11/03 – Sprint introduces 7 PM Nights, moving from the current start time of 9 PM.

05/04 – Sprint introduces Fair & Flexible pricing plans that reduce overage charges. Nextel launched a similar trial offer to Fair & Flexible a couple weeks prior. However, since that time, Nextel pulled their trial and did not launch the plan nationally.

FCC INTERROGATORY NO. 4

4. *Paragraph 31 of the Charles River Associates Declaration indicates that the merger would reduce the need for Sprint and Nextel to rely on roaming agreements to provide mobile wireless service in areas with small numbers of subscribers. Provide a list of the markets for which the merged firm would not need roaming agreements. Provide an estimate, and substantiation, for the aggregate amount the merged entity would save by reducing the number of roaming agreements nationwide. Distinguish between agreements with affiliates and agreements with others.*

Response

Paragraph 31 of the Charles River Associates Declaration is not intended to indicate that the "merger would reduce the need for Sprint and Nextel to rely on roaming agreements to provide mobile wireless service in areas with small numbers of subscribers." Rather, the Charles River Associates Declaration explains that Sprint and Nextel expect that, as a result of the expanded geographic coverage of its CDMA network, the merged company will avoid some roaming charges that Sprint currently incurs when its subscribers roam into areas where it does not currently have coverage. As a practical matter, the expanded post-merger CDMA coverage areas will decrease the number of roaming minutes which in turn will reduce roaming charges. Sprint and Nextel have not estimated the total savings from this source, and savings from reduced roaming costs are not included in the synergies reported in Paragraph 5 of the Montagner-Nielsen Declaration. In fact, Sprint and Nextel do not expect to terminate any existing roaming agreements as a result of the merger. Accordingly, there is no list of markets for which the merged firm would not need roaming agreements (nor any estimate for the aggregate amount the merged entity would save by reducing the number of roaming agreements nationwide).

FCC INTERROGATORY NO. 5

5. *Paragraph 31 of the Charles River Associates Declaration states that Sprint's "per minute cost for a roaming call is more than seven times the cost of a non-roaming call." What are the estimated per-minute costs that result in the "seven times" result? Briefly describe the factors considered and the calculations that resulted in those estimates.*

Response

REDACTED IN FULL

FCC INTERROGATORY NO. 6

6. *Paragraph 88 of the Charles River Associates Declaration briefly discusses Nextel's and Sprint's customer focus. Elaborate on this analysis by discussing the similarities and differences, and consumer perceptions of similarities and differences, among the mobile wireless services offered by Sprint, Nextel, and their competitors.*

Response

REDACTED IN FULL

RESPONSIVE DOCUMENTS REDACTED IN FULL

FCC INTERROGATORY NO. 7

7. *Paragraphs 89 through 106 of the Charles River Associates Declaration argue that Sprint and Nextel are not each other's closest substitutes. Provide all Sprint exit surveys, including the actual survey questions and survey methodology, relied upon in this analysis.*

Response

REDACTED IN FULL

RESPONSIVE DOCUMENTS REDACTED IN FULL

FCC INTERROGATORY NO. 8

8. *Paragraph 33 of the Charles River Associates Declaration states that the per-minute cost of a call from one of Sprint's subscribers to someone off its network is approximately 19% greater than the per-minute cost of a call between two Sprint wireless subscribers. Provide the estimated cost of each type of call, and briefly describe the methodology used to estimate these costs.*

   a. *Best estimates of fixed and variable operating costs, the average cost per subscriber, the average cost of acquiring a customer, and the average cost of serving a customer.*

   b. *Documents that discuss marginal (or incremental) costs per user and marginal (or incremental) costs per minute.*

   c. *Documents that discuss in-network pricing strategies (e.g. free mobile-to-mobile minutes), and any responses to rivals' in-network pricing strategies. Documents should include those which discuss competitive strategies, marketing strategies, and/or advertising strategies with respect to in-network pricing structures.*

Response

REDACTED IN FULL

RESPONSIVE DOCUMENTS REDACTED IN FULL

FCC INTERROGATORY NO. 9

9. *Does Sprint offer the same mobile wireless service plans (including all options and promotions) at the same price in each market where Sprint offers mobile wireless service? If not, identify the major differences among regions and why these differences exist. Discuss national, regional, and local plans separately. If differences exist, provide all documents that discuss pricing policies with regard to these differences.*

Response

REDACTED IN FULL

RESPONSIVE DOCUMENTS REDACTED IN FULL

FCC INTERROGATORY NO. 10

10. Provide documents that discuss Sprint's marginal (or incremental) revenue per user and marginal (or incremental) revenue per minute.

Response

Although Sprint has documents that attempt to estimate the per subscriber revenue that would result from the introduction of new pricing plans or features, it does not have documents that attempt to estimate the additional revenue that would result if it were to reduce price in order to attract additional subscribers to an existing plan, the concept that economists employ when they refer to marginal revenue.

FCC INTERROGATORY NO. 11

11. Provide all analyses, from January 1, 2003 to the present, in Sprint's possession that address elasticities of demand, including own-price elasticities and cross-price elasticities for any mobile wireless or wireline carrier, and the elasticity of demand for the mobile wireless industry as a whole (aggregate elasticity of demand).

Response

Although Sprint has a number of documents that contain estimates of various "elasticities," these are not based on the same concept as the term "elasticity of demand" as used by economists. As such, these documents are not responsive to Question 11, nor are they relevant to an analysis of the competitive effects of the proposed Sprint Nextel merger. For example, Sprint calculates "elasticities" for wireless carriers as the ratios of year-to-year percentage changes in Minutes of Use (MOU) per subscriber and year-to-year percentage changes in Voice Yield, i.e., Average Revenue per Minute of Use, using data for past years and forecasts for future years. These "elasticities" reflect Sprint's estimates of the likely growth in the MOU per subscriber of each carrier, estimates that reflect many factors in addition to price, and estimates of the change in Voice Yield, which reflect not only changes in prices but also changes in the services taken by existing subscribers and changes in the types of subscribers that are served. Although these "elasticities" play a role in Sprint's business planning activities, they are *not* estimates of the percentage change in the number of minutes of use that would result from a one percent change in price at a point in time, holding other things equal.

FCC INTERROGATORY NO. 12

12. Translate the $12.1 billion estimate of synergies created by the merger, presented in the Montagner & Nielsen Declaration, into an estimate of the expected reduction (or reasonable range of estimated reduction) in unit cost. That is, translate the $12.1 billion net present value estimate into a cost reduction that could be employed in a merger simulation or similar analysis to quantify the expected unilateral impact of the merger on price in the mobile telephony market.

Response

Please see Nextel's response to FCC Interrogatory No. 11.

FCC INTERROGATORY NO. 13

13. Provide, using available estimates for the values of key inputs, a merger simulation, or similar analysis or set of analyses, that have been undertaken to support quantitatively the claim that the merger would not enable the merged entity to unilaterally increase mobile telephony prices.

Response

Charles River Associates ("CRA") has not yet undertaken any simulation analyses. However, the CRA Declaration contained an analysis related to the evaluation of the likelihood of any price increase generated by a merger simulation. In particular, the Declaration employed a Subscriber Absorption Capacity (SAC) test to assess whether rival wireless carriers could absorb at least 10 percent of the subscribers served by Sprint Nextel if it were to raise prices after the merger. The SAC test estimated the ability of rivals to absorb additional subscribers given their existing spectrum holdings. That ability would tend to reduce the ability of the merged company to raise prices profitably. The SAC test is one way of implementing the FCC's suggestion for evaluating whether other carriers have capacity to serve enough additional subscribers to defeat any post-merger price increase.[1]

In the CRA Declaration, the implementation of the SAC methodology required a number of simplifying assumptions, many of which produced a bias *against* a finding that rivals could absorb 10 percent or more of the subscribers who might want to change carriers after a price increase. These assumptions included: (1) that the highest ratio of subscribers to spectrum in a "market" (the benchmark ratio) established a ceiling for the number of subscribers per unit of spectrum in that locale; (2) (which is a corollary of (1)) that the carrier in a "market" with the highest ratio of subscriber share to spectrum share had no ability to absorb additional subscribers; and (3) that rival carriers would acquire no additional spectrum in Auction 58, as part of the AT&T/Cingular divestitures, or in any private sale, all of which were ongoing at the time that the Declaration was filed.

In addition, in implementing the SAC methodology that was presented in its Declaration, CRA assumed that the capacity of a carrier to absorb subscribers for a given spectrum holding was the same regardless of the technology that the carrier used, i.e., regardless of whether it operated using CDMA or GSM, an assumption that could overstate the SAC in a particular market.

In conducting its earlier analysis, CRA also lacked access to spectrum holdings for individual carriers in some geographic areas and to the NRUF subscriber data that the FCC had used in its analysis of the Cingular-AT&T Wireless transaction. For those geographic areas for which it did not have complete spectrum holdings data, CRA employed the average of the maximum ratio of subscribers to spectrum holdings from the particular geographic areas for which it had complete data. To deal with the

[1] Federal Communications Commission, *Applications of AT&T Wireless Services, Inc. and Cingular Wireless Corporation For Consent to Transfer Licenses and Applications, Memorandum Opinion and Order,* 19 FCC Rcd 21522, ¶136 (2004) (hereinafter *Cingular-AT&T Wireless Order).*

unavailability of the NRUF subscriber data, CRA used subscriber data for a limited number of geographic areas that Sprint and Nextel obtained from Telephia.[2]

CRA has conducted a revised SAC analysis that both refines and extends its earlier analysis, using the BTA as its geographic unit of analysis. Instead of applying the subscriber to spectrum ratio for the carrier with the highest ratio *in a particular BTA employing any wireless technology to all carriers* in that BTA, in the revised analysis, CRA employed the highest ratio (the benchmark ratio) that is obtained *in BTAs of similar size and density by any carrier using a given technology to all carriers that use that technology* in the BTA of interest.[3] Thus, for example, CRA might use the highest ratio obtained by a CDMA carrier in, say, St. Louis to measure the absorption capacity of all CDMA carriers in, say, Minneapolis. CRA used carriers in BTAs of similar size and density as a benchmark because their behavior demonstrates that such carriers can profitably serve that number of subscribers in similar BTAs.[4] In addition, CRA used the highest ratio of a carrier using a given technology as a benchmark for other carriers using the same technology in order to take into account potential differences in the spectrum efficiencies of different wireless technologies.

CRA was also able to determine which Cingular/AT&T Wireless divestitures have been completed, as well as obtain the results of Auction 58.[5] This information, along with information about other spectrum sales that took place after December 2004, was taken into account in CRA's further analysis of those BTAs that initially fail the SAC test.

In order to account for the fact that some carriers may not have built out their networks to cover their entire licensed area, or primarily intend to serve roaming customers, CRA included in its revised SAC calculation only those carriers whose BTA shares exceeded some minimum subscriber threshold. In particular, Cingular, Verizon

---

[2] As noted in CRA's Declaration, other considerations not taken into account by the SAC test may also limit Sprint Nextel's ability to profitably raise prices post merger. For instance, to the extent that wholesale customers of Sprint, Cingular, and Verizon Wireless have longer-term, fixed-price contracts for wireless service, these customers can expand their retail sales in the event of a post-merger price increase. Thus, these wholesale customers can act as a further constraint on the pricing of Sprint Nextel. Additionally, even if a BTA fails to satisfy the SAC test, a unilateral price increase would not necessarily be profitable. If it were to impose a price increase, Sprint Nextel would lose subscribers to other carriers and wholesalers, as well as experience reduced sales to subscribers who cut their usage or drop wireless service altogether, such that the price increase could be unprofitable. Thus, the SAC test does not mark the end of the analysis.

[3] CRA assumed that all "non-national" carriers used GSM technology. Additionally, in order to be conservative, CRA did not apply the ratios obtained from "Other" carriers to the two "national" GSM carriers, Cingular or T-Mobile.

[4] CRA did not use information for carriers in BTAs that are much different in size because, for example, a high ratio of subscribers to spectrum in a large BTA does not imply that that same ratio can be profitably attained in a much smaller BTA. It may be that the expense required to obtain that higher ratio would likely render such expansion unprofitable, if the higher ratio could be obtained at all.

[5] CRA understands, of course, that not all of the formalities that are required to assign the licenses to the winners of the auction have been completed.

Wireless, Sprint, Nextel, and T-Mobile had to have positive BTA share in a given BTA to be included in the analysis, while all "Other" carriers were included only if they each had a subscriber share of at least 5% in a given BTA. That is, the estimates of SAC exclude any "Other" carriers with less than a 5% subscriber share from the calculation. The implicit assumption was that "Other" carriers with BTA shares smaller than 5% could continue to serve their current customers, but could not expand if Sprint Nextel were to raise prices after the merger, or even to accommodate normal growth.

After applying the more stringent BTA share threshold of 5%, all remaining "Other" firms were treated as a single entity with an assumed GSM technology, masking any differences in subscriber/spectrum holdings ratios among these firms. Additionally, the ratios for these "Other" firms were not applied to comparable BTAs or to Cingular or T-Mobile in the given BTA. Furthermore, only the minimum of the maximum ratios for Cingular and T-Mobile was (possibly) applied to those "Others" that remained in the analysis.[6] All of these conditions led to "Other" carriers having minimal, if any, absorptive capacity in the SAC analysis.

CRA used June 2004 NRUF subscriber data and Fourth Quarter 2004 American Roamer spectrum data in implementing the revised SAC analysis. The American Roamer data give spectrum holdings by BTA and CMA for each cellular and PCS licensee. Because the American Roamer data do not provide information on dispatch holdings, CRA used the same listing of Nextel spectrum holdings by BTA as it employed in its original analysis. Other dispatch carriers were excluded from the analysis because American Roamer lacked the necessary spectrum data. As in its original Declaration, CRA grouped affiliates with their parent companies and combined Nextel with Nextel Partners and Sprint with Sprint affiliates.

The FCC provided the NRUF data on a county level basis and CRA aggregated these data to the BTA level. Operating company names were linked to the appropriate corporate parents through the use of the FCC's 602 Ownership database supplemented by additional research, including Internet searches and discussions with outside counsel and FCC staff. The same process for matching operating companies with their parents was used with the American Roamer spectrum data.

The revised SAC analysis was performed for all BTAs that were identified for further review by the screens used by the Commission in its analysis of the Cingular/AT&T Wireless transaction, either a post merger HHI of 2800 and a change in HHI of 100 points or a change in the HHI of 250 points. The analysis was also performed for a subset of BTAs that were identified for further review when the FCC screens were increased by 10% to account for the fact that the post-merger Sprint Nextel will not have ILEC holdings.[7] Of the 487 BTAs that CRA analyzed,[8] 138 BTAs were

[6] To ensure that the SAC would not be negative among "Other" carriers, the minimum of the maximum ratios for T-Mobile and Cingular was compared against the current ratio of the "Other" carriers. The higher of the two values was taken.

[7] The rationale for this adjustment was provided in ¶¶ 65-74 of the CRA Declaration.

identified for further review by the Commission's screens and 107 were identified by the adjusted screens.[9] The results of applying the two HHI screens are presented in Tables 1 and 2, respectively.

In estimating the SAC, CRA calculated subscribers per MHz, as opposed to the ratio of BTA share to spectrum share, as it had done in the analysis reported in its Declaration. This methodology permitted CRA to employ information from comparable BTAs to estimate the number of subscribers that a given carrier could serve. Given its technology, if a carrier can achieve a high ratio of subscribers to MHz in a BTA comparable to the BTA of interest, then it seems likely that a carrier using the same technology could achieve that same ratio in the BTA of interest.

Because an individual carrier frequently has different spectrum holdings in different parts of a BTA, CRA calculated weighted average spectrum holdings for each carrier in a BTA using county and sub-county population as a percent of BTA population as weights. For example, suppose a BTA were made up of three counties A, B, and C; that a carrier's spectrum holdings were 25 MHz in county A, 10 MHz in county B, and 0 MHz in county C; and that 40% of the BTA's population lives in county A, 20% lives in county B and 40% lives in county C. In this example, CRA would calculate the spectrum holdings of the carrier as:

25 MHz * 40% + 10 MHz * 20% + 0 MHz * 40% = 12 MHz

This method allowed CRA to perform its calculations at the BTA level.[10]

CRA used information from American Roamer on BTA population and population density to determine whether BTAs were comparable. To determine the population density for a BTA, CRA obtained the population density for each county in a BTA, multiplied the county population density by the percent of the BTA population residing within the county, and summed over all counties in the BTA, effectively obtaining a population-weighted population density for each BTA. Comparable BTAs were defined as those with the populations or population densities within 20% of those in the BTA of interest. This was intended to balance the benefits of having more comparables with the possibility that some comparables might differ too significantly from the BTA of interest. There are on average 7.5 comparable BTAs for each BTA caught by the FCC screen, but some BTAs have far fewer.

Table 3 reports the results of the new SAC test for the BTAs caught by the FCC screens, while Table 4 reports the results for the BTAs caught by the 10%-adjusted screens.[11] The column labeled "Ratio of SAC to 10% of Sprint Nextel Subscribers"

---

[8] Puerto Rico, the Virgin Islands, Marianas Islands and Guam were not included in the analysis, although Nextel does not report subscribers in any of the areas and the FCC screens would not flag the BTAs.
[9] No additional BTAs were identified by the FCC's 70 MHz spectrum ownership screen.

[10] The Commission noted in its Order in Cingular/AT&T Wireless (Paragraph 102) that subscribers are assigned by NRUF to rate centers in counties other than those in which they receive service, and that the use of BTA level data minimizes any resulting distortion.

[11] BTA 366 was not analyzed because of incomplete information on spectrum holdings.

reports the number of additional subscribers that rivals can absorb divided by 10% of the current Sprint Nextel subscribers in the BTA. If this ratio exceeds one, then the rivals can absorb at least 10% of Sprint Nextel subscribers. In most BTAs, rivals can absorb considerably more than this amount. For example, in the Mansfield BTA (278) in Table 3, the ratio is [ ], meaning that rival carriers have sufficient capacity to absorb more than [ ] times 10% of the merged firm's subscribers. By contrast, this ratio is [ ] for the Mount Pleasant BTA (307) — the mechanical application of the SAC test results in the Sprint Nextel rivals in Mount Pleasant having no capacity to absorb *any* additional subscribers, an implausible outcome.

Only seven of the BTAs that are caught by the FCC screen fail the SAC test, and only six of the BTAs that are caught by the 10%-adjusted screen fail the SAC test. Significantly, almost all of the BTAs that fail the revised SAC test have few, if any, comparable BTAs. In fact, three of these have no comparable BTAs and two have only one comparable BTA.

CRA has more closely examined each of the BTAs that fail the SAC test. This analysis suggests that the Sprint-Nextel merger is unlikely to have adverse competitive effects even in these BTAs. The additional factors considered by CRA include the individual ratios of subscriber to spectrum holdings of smaller carriers and the possible entry of additional carriers using currently unused spectrum acquired through sales, Auction 58, and Cingular/AT&T divestitures. CRA analyzed the following seven BTAs in detail: Big Spring (40), Charlottesville (75), Detroit (112), Los Angeles (262), Midland (296), Mount Pleasant (307), and Washington, D.C. (461).

Big Spring

In Big Spring, four carriers have subscribers, Western Wireless, Nextel, Sprint and Westex. Western Wireless, which accounts for nearly [ ] of all subscribers, serves [ ] subscribers per MHz, the highest ratio of any carrier in the BTA. As noted earlier, in the SAC test, all "Other" carriers with more than a 5% BTA share were treated as a single firm with a single ratio of subscribers to spectrum. This assumption, while conservative, masks differences among smaller carriers. In Big Spring, Westex (which uses the same technology as Western Wireless) serves only [ ] subscribers per MHz, well below the figure for Western Wireless. If Westex were to increase the number of subscribers that it serves to only [ ] per MHz (a seemingly easy goal, given the Western Wireless ratio), it alone would be able to absorb 10% of Sprint Nextel's customers. It should also be noted that Cingular, Verizon, Central Texas Telephone Coop, Poka Lombra, and Lewis & Clark have spectrum licenses, but not subscribers, in the Big Spring BTA. This unused spectrum totals 90.4 MHz.

Charlottesville

Charlottesville includes a large number of "Other" carriers--US Cellular, Alltel, Triton, and Ntelos, although Triton is about to shift all its subscribers in Virginia to Cingular. Alltel, which serves [ ] of subscribers in Charlottesville, serves more than [

] subscribers per MHz, the highest ratio of any carrier in the BTA. If Ntelos, which uses the same technology as Alltel and has 20 MHz in the Charlottesville BTA, were to expand from its current ratio of [ ] subscribers per MHz to [ ] subscribers per MHz, still leaving it well below the ratio for Alltel, it alone could absorb 10% of Sprint Nextel's subscribers (or about [ ] subscribers). Alternatively, T-Mobile, with 20 MHz of spectrum in this BTA currently serves only [ ] subscribers per MHz in Charlottesville. US Cellular, which uses the same technology as T-Mobile, currently has [ ] subscribers per MHz. If T-Mobile were to increase its ratio by only about [ ] subscribers per MHz, it alone could absorb 10% of Sprint Nextel's subscribers. In addition, Cingular, Virginia Cellular, and Urban Communications have a combined 25.8 MHz of spectrum but no reported subscribers in Charlottesville.

Detroit

Cingular was required to divest 10 MHz of spectrum in the Detroit BTA in connection with its acquisition of AT&T Wireless. MetroPCS bought this spectrum at the end of November 2004, although it has yet to start providing service. Furthermore, Verizon recently acquired an additional 10 MHz of spectrum from Nextwave. In Detroit, the absorption capacity of a single MHz among the major CDMA carriers is at least [ ] subscribers. If MetroPCS (a CDMA carrier) can attain that level of spectrum use, that alone would be sufficient to absorb 10% of Sprint Nextel's subscribers (or about [ ] subscribers). Verizon currently has a subscriber-to-spectrum ratio of [ ] subscribers per MHz in the Detroit BTA. With its acquisition of an additional 10 MHz, Verizon should have more than enough capacity to absorb [ ] Sprint Nextel subscribers. In addition, T-Mobile already has the capacity to absorb about [ ] subscribers in the Detroit BTA—indeed, in Tables 3 and 4, T-Mobile is the only carrier that has any excess capacity when mechanically calculating the Detroit BTA SAC. In short, numerous combinations of carriers can likely absorb 10% of Sprint Nextel's subscribers in the Detroit BTA.

Los Angeles

MetroPCS was the winning bidder in Auction 58 for a 10 MHz license in Los Angeles. Based on the CDMA benchmark ratio for Los Angeles ([ ] subscribers per MHz), this spectrum can support at about [ ] subscribers, an amount that alone exceeds 10% of Sprint Nextel's subscribers (or about [ ] subscribers). Additionally, Verizon recently completed the purchase of 10 MHz of unused spectrum in Los Angeles from Nextwave. Verizon currently serves about [ ] customers per MHz in Los Angeles, the highest ratio in the BTA. Using this ratio, Verizon alone could also support more than 10% of Sprint Nextel's subscribers with the additional spectrum that it has acquired.

Midland

In Midland, both Western Wireless (with a subscriber share of [ ]) and Cingular offer service using the same technology. Currently, Western Wireless serves [

] more subscribers per MHz than Cingular does. If Cingular were to increase its ratio by only [ ] customers per MHz for the 49 MHz that it licenses in the Midland BTA, it alone could support more than 10% of Sprint Nextel's subscribers (or about [ ] subscribers). In addition, T-Mobile, Verizon, Poka Lambra, and Lewis and Clark have unused spectrum totaling 56 MHz in the Midland BTA.

Mount Pleasant

Alltel is the largest carrier in the Mount Pleasant BTA with over [ ] of all subscribers and serves about [ ] subscribers per MHz, the highest ratio in the BTA. Centennial, which has ratios similar to Alltel in other BTAs in Michigan and uses the same technology as Alltel, has a ratio of slightly less than [ ] subscribers per MHz in Mount Pleasant. If Centennial increased its ratio in Mount Pleasant to about [ ] subscribers per MHz, still leaving it well below Alltel's ratio, it alone could absorb 10% of Sprint Nextel's customers (about [ ]). In addition, Cingular, Verizon, Leap, Alpine PCS, and Lite Wave all have 80 MHz of unused spectrum in the Mount Pleasant BTA.

Washington, D.C.

Recently, Verizon purchased spectrum from Nextwave in many areas of the United States, including 20 MHz in Washington. The spectrum has not been used to support subscribers. If Verizon used it as efficiently as it does its current holdings in Washington (about [ ] subscriber per MHz), it could support an additional [ ] customers, more than enough to absorb 10% of Sprint Nextel's customer base (or about [ ] subscribers).

TABLES REDACTED IN FULL

FCC INTERROGATORY NO. 14

14. *Paragraph 12 of the Montagner & Nielsen Declaration claims that the merged entity would be able to provide consumers significantly improved network coverage by making use of sites from both carriers. Since Nextel's current network is in the 800 and 900 MHz bands, while Sprint uses 1.9 GHz where more cell sites are generally needed because of the propagation characteristics of this higher frequency band, elaborate on how the merged entity would plan to improve overall network coverage while collocating 80% of its planned CDMA sites onto existing Nextel cell sites.*

Response

Please see Nextel's response to FCC Interrogatory No. 13.

FCC INTERROGATORY NO. 15

15. *Paragraph 8 of the Valente & West Declaration states: "Developing technologies for seamless interoperability between the iDEN and CDMA technologies will be paramount. Integrating these networks will allow the combined company to achieve significant technology synergies and capabilities." Exactly what technologies for interoperability does this quote reference? Exactly what kinds of integration does the quote reference?*

Response

Please see Nextel's response to FCC Interrogatory No. 14.

FCC INTERROGATORY NO. 16

16. *Paragraph 7 of the Valente & West Declaration states: "Initially, the combined company will utilize over 43,000 cell sites. Over time, some of these existing sites will be consolidated where there are overlaps in coverage, and others will be added to enhance the coverage."*

Response

a. *What criteria will be used to consolidate cell sites? Does eliminating overlap for both iDEN and CDMA cells cause reduced coverage or other effects?*

Please see Nextel's response to FCC Interrogatory No. 15(a).

b. *Provide measured network performance data reports and associated maps provided by Telephia or by a similar service. Include relevant network performance parameters, such as but not limited to, coverage, capacity, and call quality for switched voice, packet data, Direct Connect, and Ready Link services. Provide performance comparisons among all CMRS wireless carriers providing similar services within a given market.*

See attached documents Nos. SC-16B-00001—SC-16B-00033.

c. *On a nationwide basis, provide a MapInfo compatible electronic file showing the currently available -95dBm coverage provided by Sprint. Distinguish affiliates' coverage if included.*

See attached documents Nos. SC-16C-00001—SC-16C-00003. Also see attached CD-ROM.

FCC INTERROGATORY NO. 17

17. Paragraph 13 of the Valente & West Declaration lists examples of how the merger will lead to "Lower Cost Service." With regard to "CDMA network evolution and migration to an IP-centric network," provide transitional plans, key technology change outs, projected timetable, resources, and estimated cost. Also provide key compatibility challenges with the radio access network (both iDEN and CDMA) and with the wireless networks' core systems (circuit and packet switched).

Response

Sprint currently operates a nationwide CDMA network that is based on IS-2000 Release 0. This network has been in operation since November of 2001. The current CDMA network is a common air interface technology solution that interfaces to a legacy TDM core network for serving traditional circuit switched voice and data calls, and also to an IP centric network for providing packet switched services. Sprint Nextel will continue to deploy IS-856 Release 0 1xEV-DO technology. Rather than a replacement of technology, this evolution of the CDMA network is a cost-effective upgrade to the existing radio access network, leveraging the same base stations that currently support IS-2000 voice and data services. 1xEV-DO is a high speed wireless packet data technology enhancement that will provide best effort access to packet data services. Sprint and Nextel project that this deployment will be completed in 2006. This wireless packet data enhancement at the air interface leverages the existing IP-centric network that was established when Sprint launched its IS-2000 services in late 2001. The basic building blocks of the IP network are also being leveraged to begin a migration of Sprint's TDM network to a Next Generation Voice Network (NGVN) that will replace much of the inter-machine TDM connections with IP. Sprint has capped the growth of the TDM-based network, and, beginning in 2005, Sprint will migrate from the TDM-based network with all new traffic and growth being supported by the IP-based network in the core.

Through 2006, Sprint Nextel will be planning to evolve the 1xEV-DO radio access network to the next release of the IS-856 standard, (1xEV-DO Rev. A). This release provides enhancements to the 1xEV-DO air interface that include higher data rates for both the uplink and downlink, as well as provisions for serving user based and application based Quality of Service. By 2008, it is anticipated that end-to-end wireless voice over IP can be supported across the 1xEV-DO Revision A air interface, which resides on the lower cost IP core network. By evolving on this path, it is projected that, at some point in the future, all services to the customer will reside on an all-IP network, which has been shown to have lower costs than legacy TDM-based networks.

The total investment required for this evolution to an all-IP network has not been fully analyzed at this time, as the transition to an all-IP network is not anticipated to start for another three years. Thus, at this point, resources and estimated costs have not been determined.

Key compatibility challenges between the radio access networks of IS-2000, IS-856 and iDEN do exist today and will continue to exist in the future. Sprint has only begun analyzing the compatibility challenges that exist for CDMA-based technologies and has not considered iDEN. For CDMA-based technologies, the challenges that exist include migration of users from a TDM to an IP network at both the air interface and the core. Mobility issues also present challenges in terms of interoperability between IS-2000 and IS-856. Technology handoffs between networks will challenge both technology and design during the migration period. The introduction of Quality of Service (QoS) introduces a new challenge in the air interface that has been contemplated, but not integrated, into mobile wireless technology to date. This is only a sample of some of the challenges that are known. There also exist many challenges that remain to be discovered as the evolution to complete packet based service begins to mature over the next several years.

FCC INTERROGATORY NO. 18

18. *Paragraphs 14 through 22 of the Valente & West Declaration claim that the merger would more quickly realize the applicants' shared vision of an all IP network with highly efficient IP-aware Radio Access transports, and state: "IP transport will be used to link systems, and Voice over IP ("VoIP") technology will provide common control and signaling for all services."*

    a. *Explain how the current IP backbone network and the associated services (such as private IP, PIP) serve wireless operators (including Sprint).*

    b. *Provide a succinct summary of any testing conducted for mobile wireless IP-based services, including VoIP, PTT, and mobile data over 1xRTT, 1xEV-DO, or other technologies. Include test results, performance parameters, bench marks, and user satisfaction ratings.*

    c. *Based on the current cell site locations for both Sprint and Nextel, what is the expected success rate in achieving direct trunking? What is the cost savings attributed to using Sprint's IP transport network to backhaul Nextel's traffic? Provide supporting documents.*

    d. *Would using the Sprint IP backbone (whether carried over fiber, SONET, or MAN-based networks) obviate the need, in whole or in part, for the Nextel nationwide IP and ATM networks? Provide a list of cities where Sprint operates its IP network. Provide a MapInfo compatible nationwide network diagram for Sprint.*

Response

REDACTED IN FULL

RESPONSIVE DOCUMENTS REDACTED IN FULL

FCC INTERROGATORY NO. 19

19. *Paragraphs 23 and 28 of the Valente & West Declaration discuss challenges to integrating the current cellular network architectures and how the merger will enable the companies to develop an Internet and Multi-Media Subsystem (IMS) architecture and "drive the development of these (international) standards to create innovative, efficient, access-agnostic services."*

    a. *What latest approved standards or hardware/software solutions will enable the integration of iDEN and CDMA mobile networks? Describe how the specific standards support the integration of both networks and facilitate supporting all current mobile wireless services, including Direct Connect, switched voice, and packet data applications, provided by each company.*

    b. *What are the critical elements necessary to integrate the networks in a manner that will provide transparent mobile wireless services to subscribers of both networks collectively? Your explanation should discuss the following elements: transport, core, radio-access, and signaling. Describe the specific challenges the merged entity may face when integrating the networks. Your explanation should include factors such as, but not limited to, project planning, product availability, commercial viability, and operational constraints. Provide specific analyses that are relevant to the integration of iDEN and CDMA networks for packet data, PTT, and switched voice services.*

Response

Please see Nextel's response to FCC Interrogatory No. 18.

FCC INTERROGATORY NO. 20

20. *Paragraph 38 of the Valente & West Declaration indicates that "after completion of the re-banding, the iDEN network will have extensive coverage." Post re-banding, will the iDEN system provide a larger coverage area than pre-banding? If so, explain how.*

Response

Please see Nextel's response to FCC Interrogatory No. 19.

FCC INTERROGATORY NO. 21

21. *Paragraph 9 of Attachment 1 to the Valente & West Declaration claims that "Sprint launched its initial 1xEV-DO service in several U.S. cities in 2004," and that "Sprint will continue to add cities." In which cities has Sprint launched 1xEV-DO so far? What are the planned cities for the remainder of 2005, and 2006 thru 2008? What is the overall deployment strategy for 1xEV-DO in these cities? How much spectrum is needed to deploy 1xEV-DO in each of the cities through 2008?*

Response

REDACTED IN FULL

FCC INTERROGATORY NO. 22

22. *Paragraph 13 of Attachment 1 to the Valente & West Declaration states that "Sprint anticipates upgrading its Radio Access Network ("RAN") to 1xEV-DO Rev. A starting in late 2006." How does such an upgrade affect the 1xRTT RAN? How would 1xEV-DO interact with 1xRTT? What would be the effect on subscribers' handsets, smart phones, or data cards?*

Response

The evolution of the 1xEV-DO network to 1xEV-DO Rev. A will not have an impact on the existing 1xRTT CDMA network as the two networks are deployed on separate radio frequencies. Sprint has planned to continue the evolution of the 1xRTT network to support continued evolution of advanced features and growth on the 1xRTT network as needed. The interaction between the 1xEV-DO network and the 1xRTT CDMA network is made transparent to the end user via the use of dual mode terminals that can access either network when it is available. These terminals, operating in a 'hybrid mode,' access the appropriate network according to the service requested. For example, a hybrid terminal will access the 1xEV-DO network if a packet data session is initiated and a 1xEV-DO network is available. However if the 1xEV-DO network is not available, the hybrid terminal will then access the 1xRTT network for the packet data session. If the same terminal initiates a circuit switched voice call, the hybrid terminal will always access the 1xRTT network to connect this type of service. If the same terminal initiates a packet data session while in 1xEV-DO coverage, then migrates out of 1xEV-DO coverage, but is still inside of 1xRTT coverage, the packet data session will seamlessly handoff into the 1xRTT, maintaining the same packet data session. Since both the 1xRTT and 1xEV-DO utilize and leverage the same network elements, the ability to use both air interfaces depending on the service type is easily supported.

In the future, when operating voice as an application on the 1xEV-DO Rev. A network, seamless mobility of voice service is anticipated to be supported via evolved standards support of voice over IP service on 1xRTT or by facilitating a packet to circuit handoff. Both options are currently in research and development by both Sprint and industry suppliers of technology to facilitate the most seamless and cost effective method to continue to support seamless mobility across both networks for both real and non-real time applications.