

CTIA RESPONSE TO FRONTLINE WIRELESS, LLC JUNE 19, 2007 EX PARTE

CTIA – The Wireless Association®

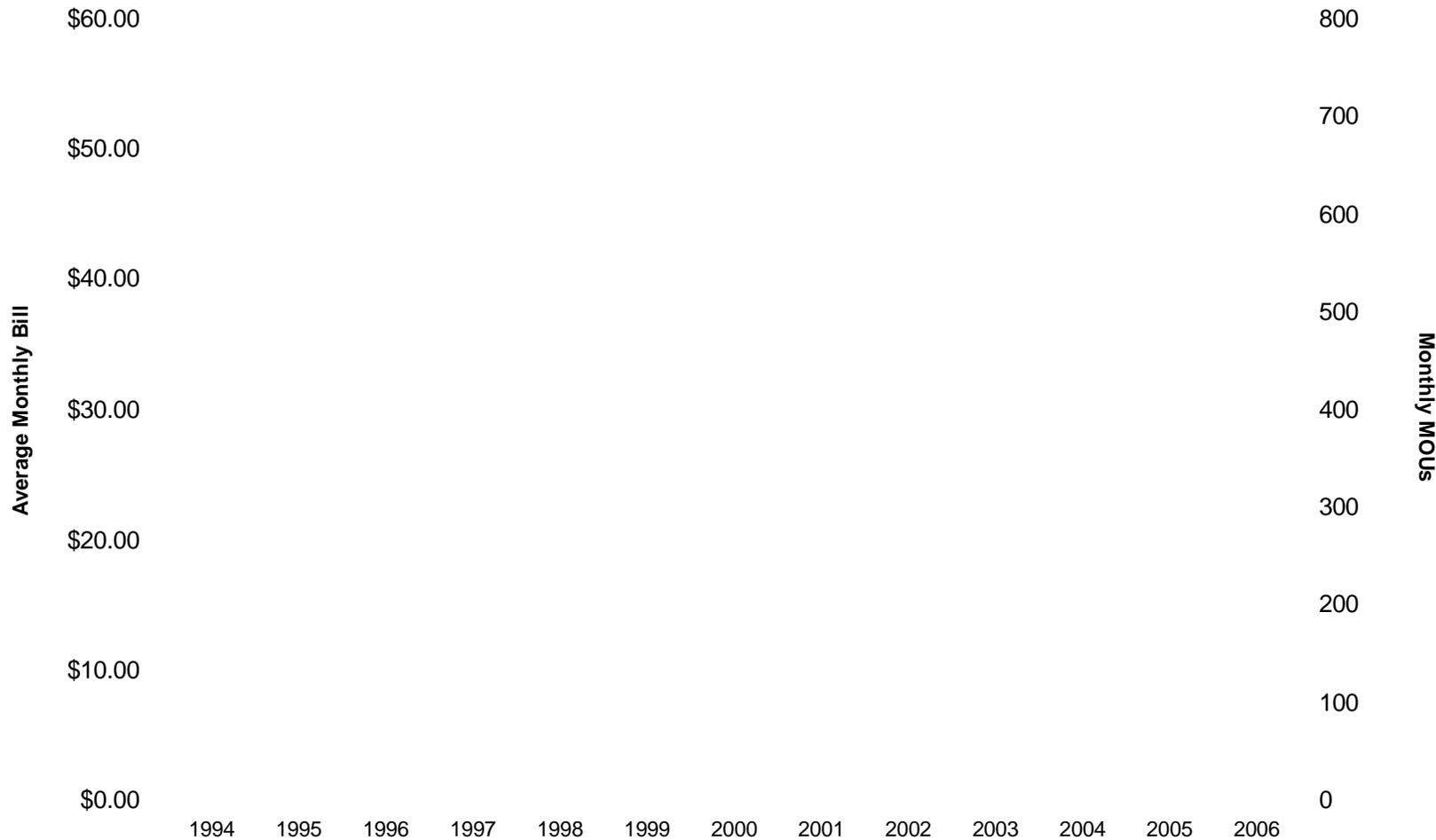
June 28, 2007

Frontline Mischaracterizes the Value Consumers Derive from Wireless

- Consumers are paying less, for more service.
 - Average revenue per minute is down 84% since 1993, and consumers are using more than 5x the minutes per month.
 - Consumers continue to receive greater bundles of minutes of use (“MOUs”) for their monthly subscription.
- Frontline’s focus on the average monthly wireless bill is an incomplete and inaccurate picture of consumer benefit.
 - Frontline’s chart titled “Wireless industry is maturing” distorts the facts and is incomplete:
 - Frontline fails to adjust the monthly bill for inflation over the last 14 years.
 - The scale of the two Y axes are not equal, distorting the incredible growth in wireless penetration and the change in consumer price.
 - As the next three slides illustrate, wireless carriers continue to innovate and bring new services to market, while network use increases and the average monthly bill declines.

Consumers Are Paying Less for More

**Average Monthly Bill versus Average Monthly MOUs
(Nominal versus Inflation Adjusted Dollars)**



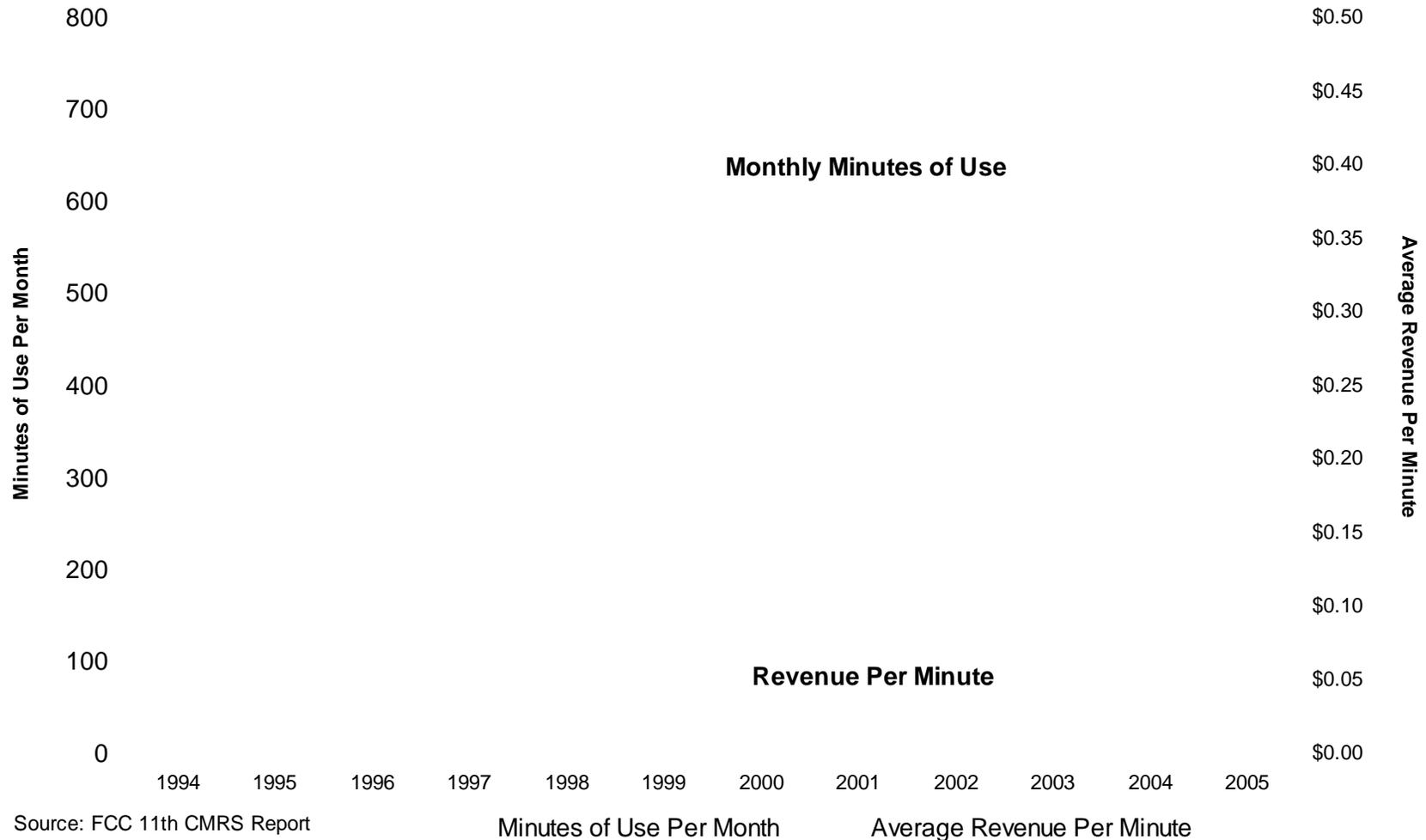
Sources: FCC 11th CMRS Report, BLS, CTIA

Average Local Monthly Bill

Inflation Adjusted Bill - 1994 base

Minutes of Use Per Month

Over Time Wireless Customers Are Paying Less for More Minutes



Source: FCC 11th CMRS Report

Wireless Industry Facts

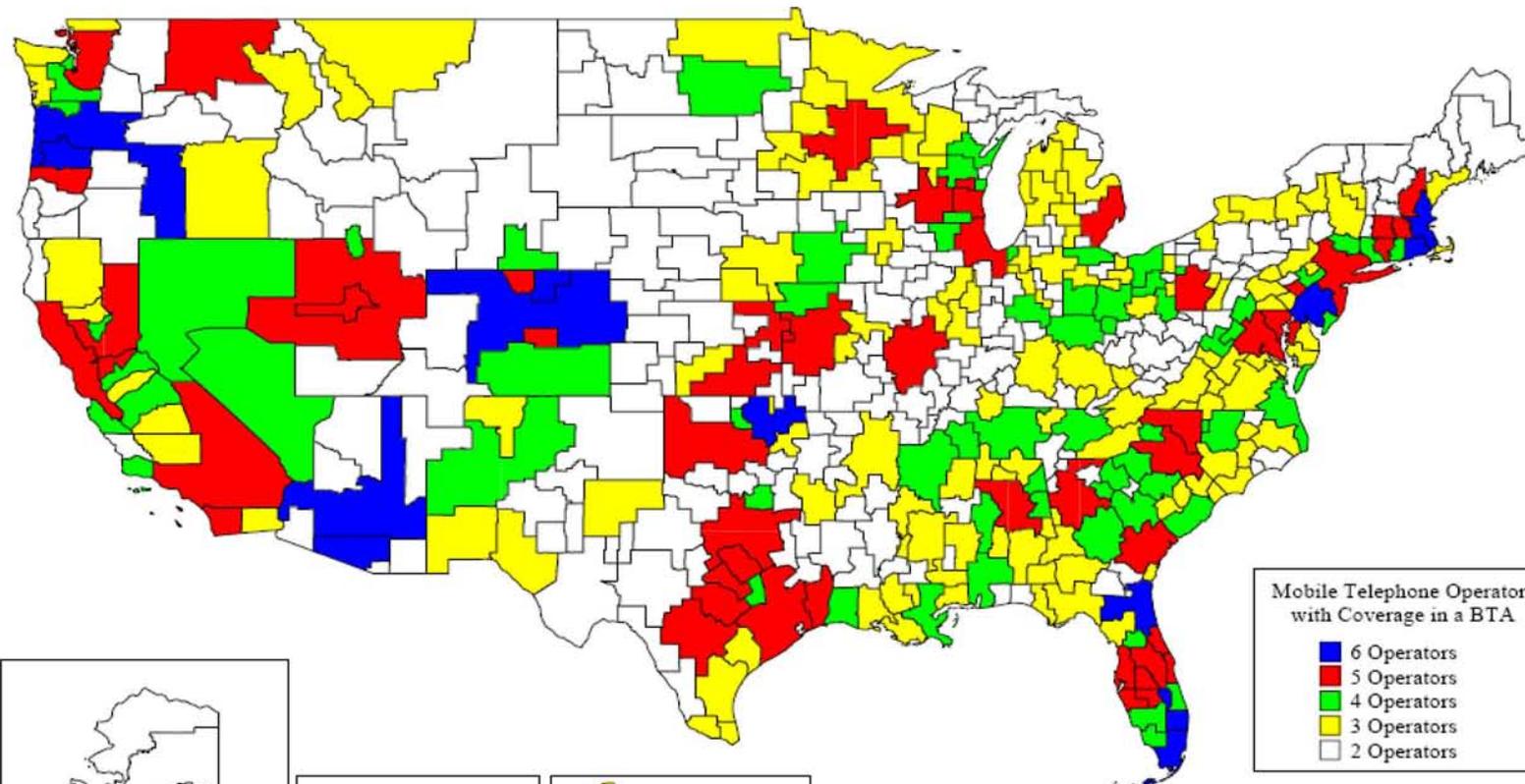
- Over 238 million subscribers, and constantly growing.
- 1.8 trillion minutes of use in the United States in 2006, 714 minutes of use per customer per month.
- The U.S. wireless industry remains highly competitive with multiple facilities-based providers in every market. There are over 160 licensees currently providing wireless service. The AWS and 700 MHz auctions will only increase that competition.
- The U.S. mobile wireless industry is deploying mobile broadband services that compete with the cable modem and DSL providers.
- All the national wireless carriers are marketing mobile wireless devices that enable consumers to download the application of their choice, access content of their choice, and use the network access (e.g., Wi-Fi or CMRS) of their choice.

Frontline Incorrectly Assumes that “Consolidation = less competition”

- The Commission’s Annual CMRS Competition Report consistently finds the wireless industry competitive.
 - “Using the various data sources and metrics [discussed in the report], we... conclude that the CMRS marketplace is effectively competitive.” – FCC 11th Annual CMRS Competition Report, FCC 06-142 at para. 216 (2006).
- The mergers that Frontline cites have arguably *increased* competition, with nationwide carriers competing with each other directly in new markets as well as competing with local and regional carriers.
- Upon full consideration of the factual and economic evidence, including competitive trends over time, the U.S. wireless industry’s Herfindahl-Hirschman Index does not indicate a lack of competition.
- The following slides show that consumers consistently have more choices year after year.

Wireless Licensees Competing in 1997

Estimated Mobile Telephony Service Deployment: Number of Operators* in Each BTA with Some Level of Coverage

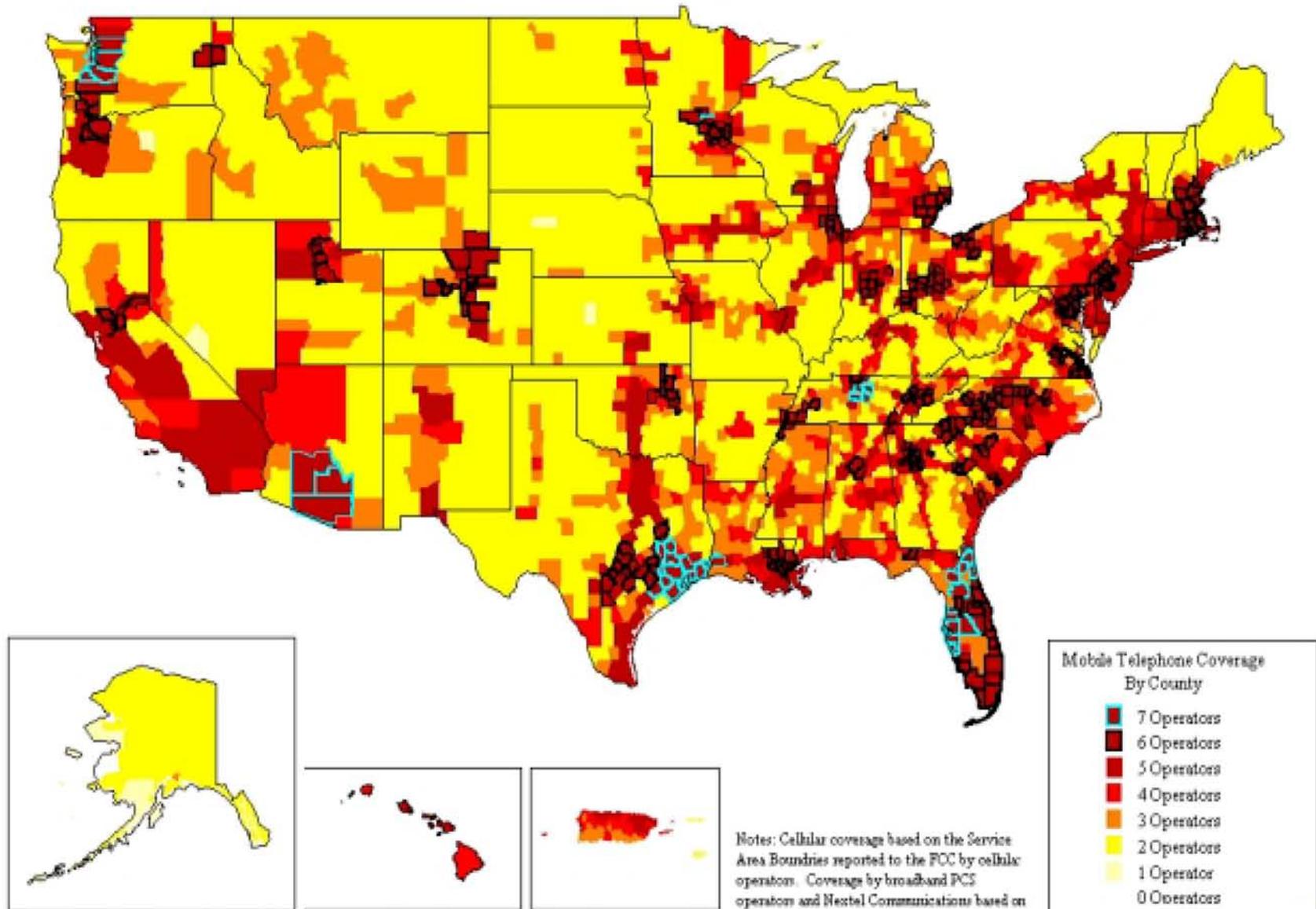


* Mobile telephone operators included in analysis are cellular, broadband PCS, and Nextel Communications.

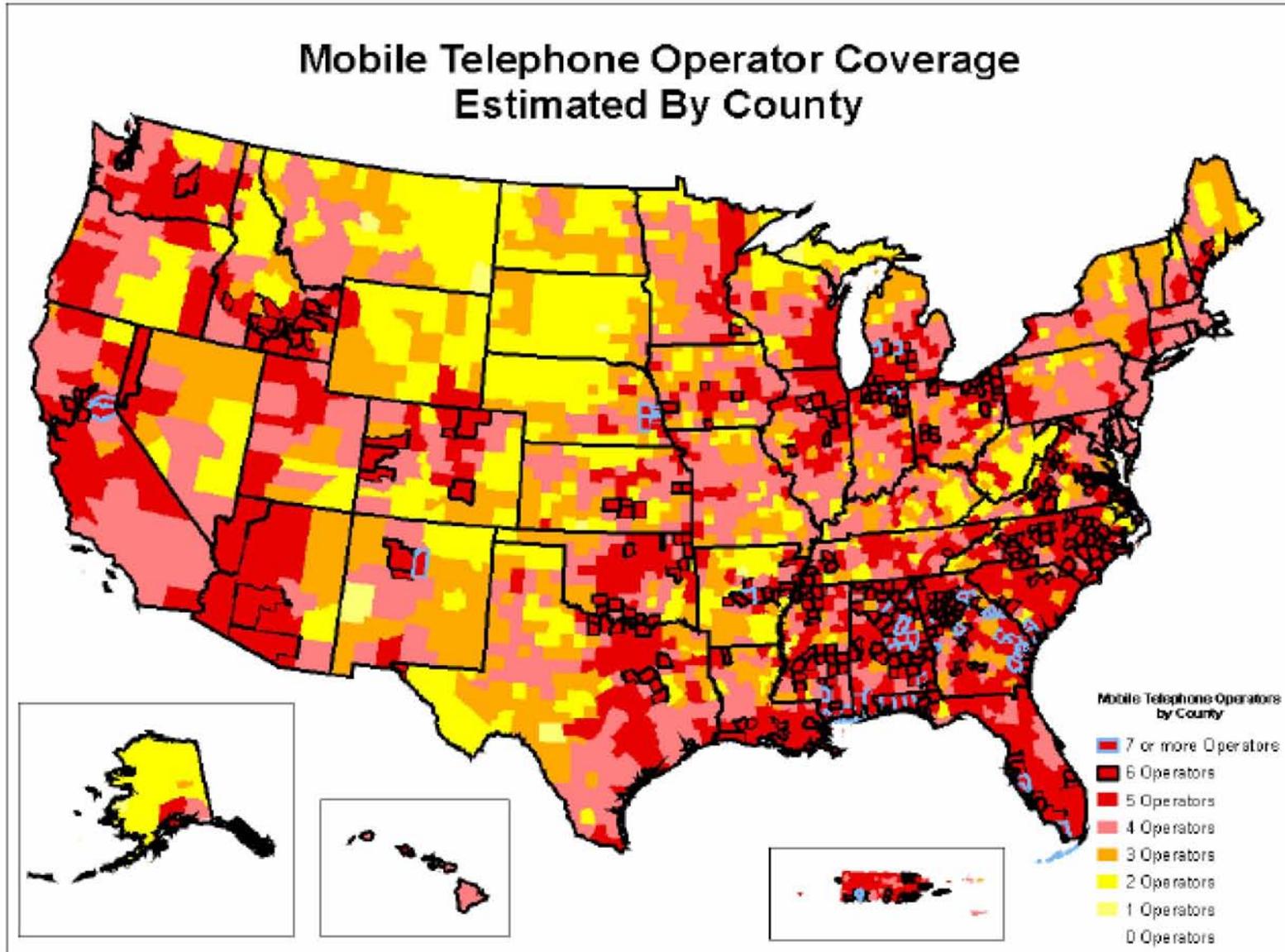
MTAs and BTAs are based on Material Copyright (c) 1992 Rand McNally & Company. Rights granted pursuant to a license from Rand McNally & Company through an arrangement with the Personal Communications Industry Association. There are 51 MTAs and 493 BTAs.

Source: Federal Communications Commission estimates.

Wireless Licensees Competing in 1999



Wireless Licensees Competing in 2006



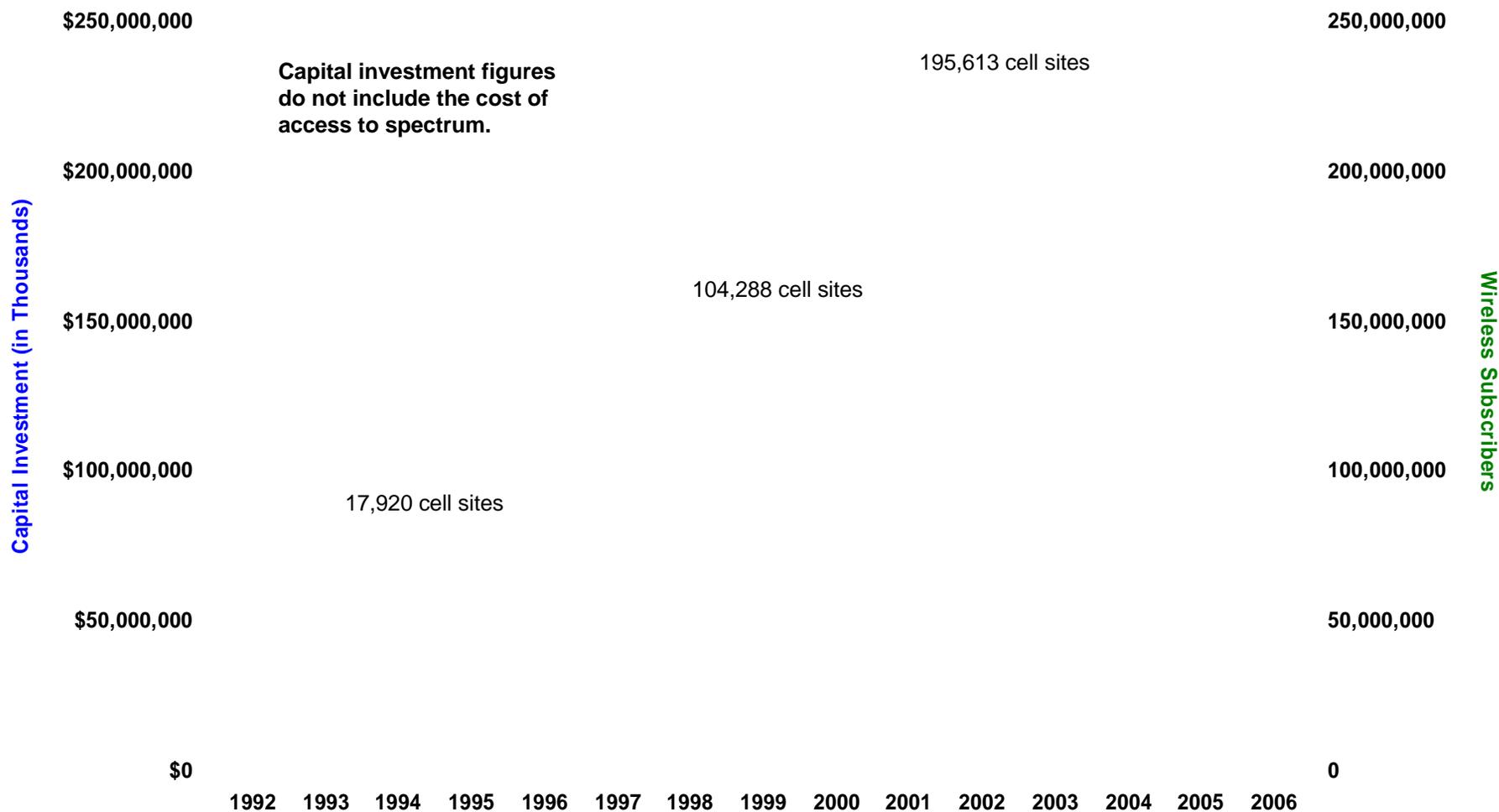
Frontline Incorrectly Claims that “Two firms dominate”

- Frontline’s claim that two firms – AT&T and Verizon Wireless – dominate the wireless industry ignores the intense competition for customers are all levels of the industry.
 - No U.S. carrier has more than 27% of the nation’s wireless consumers.
 - Among OECD member countries, only Denmark can claim more mobile wireless competition than the United States.
 - There are approximately 160 carriers providing service to consumers today.
 - Consumers can, and do, easily take their phone number with them and switch carriers.
- Ongoing technical, service and price innovation is a testament to the continued competition for consumers.
 - At least two other nationwide carriers compete throughout the country for consumers, offering innovative new technologies and services to differentiate their service.
 - Regional and smaller carriers continue to provide unique service plans and bundles of services to their consumers.
 - MVNOs, which tailor their service to niche markets, continue to enter the market and serve their customers.

Frontline's Claims of Carrier "Spectrum Warehousing" Are Unsubstantiated

- Carriers who purchase spectrum licenses at auction have powerful economic incentives to put the spectrum to its highest use.
- Consumers increasingly demand more bandwidth intensive applications, requiring additional licensed spectrum.
- Carriers have no competitive or economic incentive to "warehouse" spectrum that consumers demand and for which they pay large sums of money for exclusive use.

Carriers Respond to Consumer Demand: Expanding Coverage and Capacity (No Warehousing)



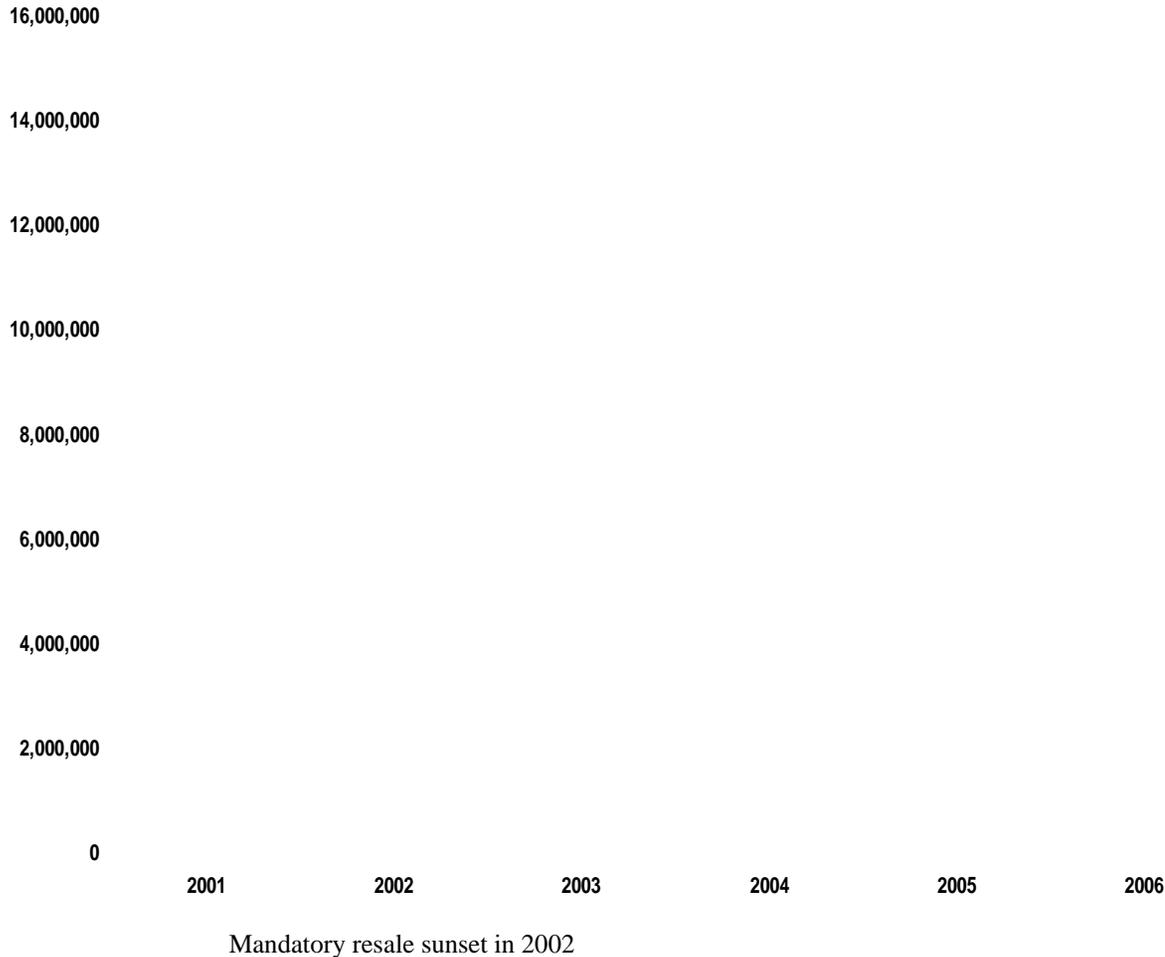
Source: CTIA Semi-Annual Survey

Cumulative Capital Investment

Estimated Subscribers

A Wholesale Requirement is Unnecessary – Since the Sunset of Mandatory Resale, MVNOs Are Thriving

Wireless Resale Customers



Selected MVNOs:

- Amp'd Mobile**
- Boost Mobile**
- DEXA Wireless**
- Disney Mobile**
- EZ Link**
- Firefly Mobile**
- Helio**
- Kajeet**
- Liberty Wireless**
- Net10**
- Qwest**
- 7-Eleven**
- TracFone**
- TúYo Mobile**
- Uphonia**
- Virgin Mobile USA**
- Viva Mobile**
- Voce**

MVNOs are focusing on Branding and market Differentiation (youth, ethnic Group, other demographics).

Frontline's Proposed Conditions on the License Will Foreclose Competition

- Despite Frontline's claims that the wireless industry is attempting to foreclose competition, it is Frontline's "poison pill" conditions that will prevent competitors from bidding on the E block.
 - A wholesale-only requirement will prevent participation as bidders will be unable to use the spectrum to its highest use.
 - Eligibility restrictions will directly prevent competition for the license from incumbents, those most readily able to extend existing networks to serve rural and underserved areas.
 - Open access requirements will drive away bidders because any licensee will be foreclosed from effective management of the network and spectral efficiency necessary to ensure quality of service.