

In this submission, the Applicants demonstrate that the proposed transaction does not violate the Act or Commission rules or policy and that the balancing of public interest benefits and harms clearly favors granting the Applications. As discussed below, the proposed transaction promises tremendous consumer benefits without any significant harm to competition. Accordingly, the Commission should find the proposed transaction to be in the public interest and approve the Applications without delay.

B. The Proposed Transaction Will Generate Substantial Public Interest Benefits

The Commission has previously recognized the public interest benefits that flow from the merger of a regional wireless carrier with a national carrier by expanding the geographic reach of the combined entity.²⁰ RCC provides services in territories within parts of 15 states covering nearly 7.2 million pops in rural America. Many of the rural areas served by RCC are adjacent to major metropolitan areas served by Verizon Wireless, including Portland, Oregon; Seattle, Washington; Spokane, Washington; Boise, Idaho; Minneapolis-St.Paul, Minnesota; Sioux Falls, Idaho; Wichita, Kansas; Memphis, Tennessee; Jackson, Mississippi; Birmingham, Alabama; Atlanta, Georgia; Boston, Massachusetts; Denver, Colorado; and others. RCC does not provide service in the adjacent metropolitan areas and currently relies on roaming agreements when its customers travel or commute to those areas. Likewise, Verizon Wireless relies on roaming agreements when its customers from the metropolitan areas travel to the adjacent rural areas served by RCC. The merger will allow customers of both companies in the adjacent and served

²⁰ See, e.g., *Wireless Telecomms. Bureau and International Bureau Grant Consent for Transfer of Control or Assignment of Licenses from Telecorp PCS, Inc. to AT&T Wireless Services, Inc.*, Public Notice, DA 02-331 (Feb. 12, 2002); *In re Applications of Pacific Wireless Techs., Inc. and Nextel of Ca., Inc.*, Memorandum Opinion and Order, 16 FCC Rcd 20,341 (2001); *ALLTEL-WCC Order*, 20 FCC Rcd at 13,108 (¶ 150) (stating that “we believe that the transaction is likely to enable the merged entity to achieve certain economies of scope and scale and operating synergies of the type asserted and that, absent the transaction, the Applicants individually could not have achieved”).

areas to receive contiguous coverage at metropolitan-rural area boundaries and receive more extensive seamless on-network service. The merger of RCC into Verizon Wireless will result in substantial benefits to RCC's current customers, Verizon Wireless's existing customers, and all wireless customers and potential wireless customers in the relevant markets impacted by the proposed transaction.

The proposed transaction will enable Verizon Wireless to enter eight new cellular market areas ("CMAs"),²¹ and parts of twenty-two other CMAs,²² where RCC is licensed and Verizon Wireless holds no cellular or PCS spectrum.²³ The proposed transaction will also provide a larger, seamless national footprint throughout which customers of the merged company can be assured of enjoying high quality services with the same look and feel. Further, the transaction will enable Verizon Wireless to add more spectrum capacity to its existing holdings in other markets to enable it to better support the increasing demand for broadband services and applications while maintaining or increasing both the quality and capacity of existing voice services. As such, the transaction will increase Verizon Wireless's already favorable economies

²¹ These markets include Kansas 2 – Norton (CMA429); Kansas 7 – Trego (CMA434); Kansas 11 – Hamilton (CMA438); Kansas 12 – Hodgeman (CMA439); Kansas 13 – Edwards (CMA440); Minnesota 3 – Koochiching (CMA484); Minnesota 9 – Pipestone (CMA490); and South Dakota 4 – Marshall (CMA637).

²² These markets include Alabama 3 – Lamar (CMA309); Alabama 4 – Bibb (CMA310); Alabama 5 – Cleburne (CMA311); Alabama 7 – Butler (CMA313); Georgia 14 – Worth (CMA384); Kansas 1 – Cheyenne (CMA428); Kansas 6 – Wallace (CMA433); Maine 2 – Somerset (CMA464); Minnesota 2 – Lake of the Woods (CMA483); Minnesota 5 – Wilkin (CMA486); Minnesota 6 – Hubbard (CMA487); Minnesota 7 – Chippewa (CMA488); Minnesota 8 – Lac qui Parle (CMA489); Minnesota 10 – Le Sueur (CMA491); Mississippi 2 – Benton (CMA494); Mississippi 3 – Bolivar (CMA495); Mississippi 4 – Yalobusha (CMA496); Mississippi 6 – Montgomery (CMA498); Mississippi 7 – Leake (CMA499); Mississippi 10 – Smith (CMA502); Oregon 3 – Umatilla (CMA608); and Wisconsin 2 – Bayfield (CMA709). RCC is operational in all of these expansion areas except the counties in Mississippi 7 – Leake.

²³ The map contained in Attachment 2 highlights the new market areas that Verizon Wireless will enter following the proposed transaction.

of scope and scale and result in Verizon Wireless increasing competition in the relevant expansion markets and nationally.

In addition, the transaction will enable Verizon Wireless to bring its considerable technical and managerial expertise and experience in deploying state of the art technology to better serve RCC's customers, the overwhelming majority of which are located in rural areas of the country. RCC's customers will enjoy improved quality of service, expanded network coverage, increased customer service, and a greater choice of wireless services (especially broadband data), devices, and rate plans. The Commission has previously found this range of benefits favors approval of a merger,²⁴ and the Commission should make the same determination here.

1. The Proposed Transaction Will Provide Substantial Benefits for Existing RCC Customers

As an initial matter, Verizon Wireless's acquisition of RCC promises substantial benefits for existing RCC customers. The transaction will permit Verizon Wireless to offer service in many areas for the first time. After the proposed transaction is consummated and RCC is integrated with Verizon Wireless, RCC's customers will enjoy Verizon Wireless's superior quality of service, seamless national coverage, improved customer care, access to a greater variety and quality of services and content, increased choice in wireless devices, and a broader

²⁴ See *SBC-AT&T Order*, 20 FCC Rcd at 18,384 (¶ 182) ("The Commission has recognized that 'efficiencies generated through a merger can mitigate competitive harms if such efficiencies enhance the merged firm's ability and incentive to compete and therefore result in lower prices, improved quality, enhanced service or new products.'") (quoting *Application of EchoStar Commc 'ns Corp. (a Nv. Corp.), General Motors Corp., and Hughes Elecs. Corp. (De. Corps.) (Transferors) and EchoStar Commc 'ns Corp. (a De. Corp.) (Transferee)*, Hearing Designation Order, 17 FCC Rcd 20,559, 20,630 (¶ 188) (2002)); *ALLTEL-WCC Order*, 20 FCC Rcd at 13,103 (¶ 140) ("The Commission has previously noted the consumer benefits that flow from expanded footprints.") (citing *Cingular-AT&T Wireless Order*, 19 FCC Rcd at 21,604 (¶ 217)).

menu of rate plans. Indeed, as discussed below, RCC's data offerings are restricted to slower speed services because it has not had the financial resources to deploy high-speed networks.²⁵

a. **RCC Customers Will Experience Improved Quality of Service**

RCC's customers will benefit from Verizon Wireless's commitment to high speed wireless data deployment and its proven track record of technical innovation. Verizon Wireless has invested \$37 billion in the last seven years to increase the coverage and capacity of its award-winning national network and to add new services. The result has been industry-leading customer satisfaction. As a result of its investment in its network and in customer services, Verizon Wireless has received the highest ranking in the second annual J.D. Power & Associates 2006 Business Wireless Regional Customer Satisfaction StudySM.²⁶ This survey queried 2,725 businesses regarding overall customer satisfaction. Verizon Wireless was ranked higher than all other wireless carriers in call quality, performance and reliability, and brand image. Verizon Wireless also shared highest honors for customer satisfaction in 5 of 6 regions surveyed in the J.D. Power & Associates 2006 U.S. Wireless Regional Customer Satisfaction Index Study—Volume 1.²⁷ Additionally, for the fourth consecutive year, in 2007 Verizon Wireless topped the

²⁵ Verizon Wireless's EvDO Rev. A network provides data rates of up to 3.1 Mbit/s, as compared to RCC's recently announced EDGE technology, which has a theoretical maximum rate of 473.6 kbit/s using all 8 timeslots.

²⁶ See Verizon, 2006 Awards and Recognition, <http://www22.verizon.com/about/executivecenter/bestoflists/2006awardsandrecognition.html> (last visited Aug. 26, 2007).

²⁷ See Verizon Wireless Awards and Accolades, <http://aboutus.vzw.com/awards2006.html> (last visited Aug. 27, 2007).

American Customer Satisfaction Index survey, scoring significantly above the industry average and higher than every other measured wireless company.²⁸

A key part of Verizon Wireless's commitment to quality service is the company's ongoing roll-out of Verizon Wireless' Evolution-Data Optimized ("EvDO") network. This was the first widely-available wireless broadband network in the United States and is the most reliable wireless broadband network in the country. Verizon Wireless's EvDO network is already available in areas where more than 200 million Americans reside, including 242 major metropolitan areas and 180 major airports across the country. It enables customers to access BroadbandAccess™ on their laptops, e-mail on their PDAs, and Verizon Wireless's VCast™ Video and Music services on their wireless phones.

Verizon Wireless also recently announced that its entire EvDO network now utilizes EvDO Revision A ("EvDO Rev. A") technology.²⁹ The use of EvDO Rev. A allows Verizon Wireless's customers to access wireless services and to download files as much as ten times faster than customers of other wireless service providers that use different broadly deployed network technologies. For mobile phones and laptop computers, customers can enjoy music, games, internet-enabled applications, and full-featured mobile video. The EvDO Rev. A network additionally makes possible new mobile emergency and safety applications, such as remote patient monitoring and mobile robotics. Services and products are also available to support vehicle assistance capabilities through VZNavigator in the form of maps and turn-by-

²⁸ See Verizon Wireless Customer Satisfaction Awards and Reviews, <http://aboutus.vzw.com/customersatisfaction/awards.html> (last visited Aug. 27, 2007).

²⁹ See Verizon Wireless News Center, *100 Percent Of Wireless Broadband Network Now Enhanced With Faster Speeds*, <http://news.vzw.com/news/2007/06/pr2007-06-28h.html> (last visited Aug. 27, 2007). Verizon Wireless's technology is the most advanced wireless broadband technology with widespread availability. As of the second quarter of 2007, Verizon Wireless EvDO Rev. A service was available in 245 major metropolitan areas.

turn directions. Such services will benefit everyone living in the broadband area, not just Verizon Wireless (and former RCC) customers, because the introduction of new services by providers invariably drives competitive responses from other providers in the intensely competitive mobile services marketplace, thereby increasing the services and features available to *all* consumers.

RCC's customers currently do not enjoy these types of 3rd generation wireless broadband services. In areas where it offers GSM service, RCC has only recently announced plans to upgrade its network to EDGE technology, which is far slower in throughput speed than EvDO Rev. A.³⁰ In CDMA areas, RCC offers only 1xRTT, which generally provides peak data rates of 144 kb/s—over twenty times slower than Verizon Wireless's EvDO Rev. A network. Following consummation of the transaction, Verizon Wireless will bring its technical and management expertise, as well as experience with state of the art technology, to bear for the benefit of RCC customers.

b. RCC Customers Will Experience Expanded Seamless Network Coverage

As a result of the transaction, Verizon Wireless will integrate RCC's analog, GSM, TDMA, CDMA networks into Verizon Wireless's existing operations over a period of about 18 months. Given the compatibility of RCC's CDMA network equipment with Verizon Wireless's existing CDMA network, Verizon Wireless will be able to undertake a rapid and smooth integration of these two networks where RCC has existing CDMA coverage.³¹ Some of the benefits of Verizon Wireless expanding its advanced network to RCC's service areas are

³⁰ See n.25, *supra*.

³¹ While the AMPS standard for analog systems would allow rapid integration of RCC and Verizon Wireless analog systems, Verizon Wireless has announced that it will retire its analog systems on February 18, 2008. See n.4, *supra*.

improved service quality and reliability, higher data rates and improved spectral efficiency, and increased ability to meet public safety requirements and emergency preparedness.

Following this integration, RCC's customers will enjoy seamless wireless coverage throughout Verizon Wireless's entire footprint—after consummation of the proposed transaction, Verizon Wireless's network will cover a population of approximately 265 million potential customers with substantial population coverage in every state with the exception of Alaska (where Verizon Wireless is not currently licensed to operate).³² Importantly, the uniformity of the network and support systems will permit subscribers to have a consistent look, feel, and quality of service important to enhanced customer satisfaction through this entire area. The services that customers grow to enjoy within their home markets will thus be seamlessly available to them as they travel throughout the country.

The transaction will also enable RCC customers for the first time to utilize their mobile phones when traveling internationally. At present, RCC does not permit its subscribers to roam on other networks outside of the United States. Verizon Wireless, on the other hand, has roaming agreements in thirty-three countries that permit subscribers to use their mobiles while on travel. The Applicants believe the ability to roam internationally will be a substantial benefit to existing RCC subscribers.

³² See *ALLTEL-WWC Order*, 20 FCC Rcd at 13,103 (¶ 140) (“The Commission has previously noted the consumer benefits that flow from expanded footprints.”); *Cingular-AT&T Wireless Order*, 19 FCC Rcd at 21,604 (¶ 217) (“With a larger footprint, not only can a carrier offer competitive service to more consumers across the country, but also its customers may enjoy enhanced service and/or lower prices because of factors such as the wider area in which the carrier's full handset functionality is operative and the carrier's lessened reliance on roaming agreements to fill out its coverage.”).

c. **RCC's Customers Will Enjoy Improved Customer Care**

RCC's customers will also benefit from Verizon Wireless's award-winning commitment to customer care. For example, Verizon Wireless has initiated the Verizon Wireless Welcome Call program, which ensures that every customer who signs up for or changes an existing Verizon Wireless service plan receives a Welcome Call from a Verizon Wireless customer service representative. The customer service representative reviews the service plan the customer has chosen, discusses features of the service and answers any questions that the customer may have. Additionally, Verizon Wireless has initiated the "Worry Free Guarantee" program that allows subscribers to test-drive the network and new equipment for 30 days and change calling plans at any time.

Verizon Wireless is also leading the way in meeting the growing demand for customer service and product support for Spanish-speaking customers in its call centers. Offering Spanish-language support improves Verizon Wireless's ability to meet the needs of one of the fastest growing populations in the wireless customer base. Nationally, nearly 20 percent of the company's retail employees currently speak both English and Spanish.

Verizon Wireless's customer care initiatives have produced measurable successes as Verizon Wireless enjoys the highest level of customer loyalty in the wireless industry. After the first quarter of 2007, Verizon Wireless announced that, for the tenth consecutive quarter, it had the lowest churn rate of all the major wireless companies.³³ And, for the fourth consecutive year,

³³ See Verizon Wireless Customer Satisfaction Milestones, <http://aboutus.vzw.com/customersatisfaction/milestones.html> (last visited Aug. 27, 2007).

Verizon Wireless placed first among major wireless carriers in the American Customer Satisfaction Index survey.³⁴

d. RCC's Customers Will Have Access to a Greater Variety of Services and Content

The transaction will enable RCC customers to access the much broader range of mobile music, video, television and other multimedia services offered by Verizon Wireless. Currently, content options for RCC subscribers are restricted by the more limited capabilities of RCC's networks and its on-going capital constraints. In contrast, Verizon Wireless offers its customers the latest in business information, entertainment, and gaming services and content. Verizon Wireless's exclusive services include VCast™—which was the first true 3G wireless broadband consumer multimedia service in the country. VCast™ allows customers to view crystal clear video on demand and graphics for 3D games because it runs on Verizon Wireless's EvDO Rev. A network. VCast™'s range of services includes VCast™ Music, VCast™ Video, and VCast™ Mobile TV,³⁵ all of which offer content—often via exclusive relationships—from the country's most popular entertainment and information sources.

- VCast™ Music is the world's most comprehensive mobile music service with a library of more than two million songs from well-known and independent artists. VCast™ Music allows Verizon's customers to download music over the air directly to their wireless phones and to their Windows XP PCs, and transfer new and existing digital music from the PC to their wireless phones. Music lovers can also take advantage of Verizon Wireless' recently launched VCast™ Song ID service, the only service in the United States that enables users to capture information about a song immediately, over-the-air, and then buy a Ringtone, Ringback tone or full-track song, in one seamless process.

³⁴ See Verizon Wireless Customer Satisfaction Awards and Reviews, <http://aboutus.vzw.com/customersatisfaction/awards.html> (last visited Aug. 27, 2007).

³⁵ VCast™ Mobile TV services are integrated with Verizon Wireless's 3G data services, but content is provided via Qualcomm's MediaFLO service using 700 MHz spectrum.

- VCast™ Video offers full-motion video clips of the latest news, sports scores and plays, weather, entertainment and more, directly on their wireless phones. Updated regularly, customers can get the best entertainment sampling around in ten categories, including Music, Showcase, Comedy, News, Sports, Net's Best, TV to Go, Latino, Kids, and Spiritual.
- VCast™ Mobile TV gives customers the best of television with full-length broadcast-quality television programs on their wireless phones. Through its relationship with Qualcomm's MediaFLO venture, VCast™ Mobile TV is available to Verizon Wireless subscribers in more than 30 of the nation's top cities and operates 24 hours a day, bringing viewers content from many of the world's best-known entertainment brands, representing a variety of options to suit every viewer.

Verizon Wireless's national coverage and 62 million subscribers are a lucrative market for corporate partners, allowing it to offer cross-brand applications and a full array and diversity of content that RCC cannot currently provide as a regional carrier. For example, Verizon Wireless has paired with ESPN to provide exclusive access to ESPN's regularly updated video clips providing the latest sports news and information, game analysis and reporting from ESPN experts and personalities, highlights from college football and basketball games, fantasy games, statistical analysis and reviews, X Games and ESPN original programming. Other popular sources of video content available through Verizon Wireless include YouTube, CBS, Comedy Central, Fox, MTV, NBC News, NBC Entertainment and Nickelodeon, ABC News Now, Fox Sports, Country Music Television, Just for Laughs, CNN to Go, ET to Go, the Wall Street Journal, AccuWeather.com, The Weather Channel, Sesame Street, Maxim, Atom Films, and Heavy.com. The transaction will enable RCC customers to enjoy access to such expanded content and services.

e. **RCC's Customers Will Have Access to a Greater Variety of Wireless Devices**

Verizon Wireless has traditionally offered a wide variety of wireless devices, including the most innovative and sophisticated handsets, to its customers. This is largely due to extensive relationships Verizon Wireless enjoys with handset manufacturers, economies of scale arising

from a much larger subscriber base, enhanced access to capital, and advanced technological and software capabilities. The transfer of control of RCC to Verizon Wireless will permit RCC's customers to gain access to the broader array of choices Verizon Wireless offers. Specifically, RCC's customers currently have access to 11 models of phones, one Smartphone, and one PC card. After the transaction, RCC's customers will be able to choose from among Verizon Wireless's 42 models of phones, 11 PDA/Smartphones or Blackberry devices, and 7 PC cards—a selection of phones that includes the broadest array of Hearing Aid Compatible (“HAC”) compliant devices of any national carrier. The full array of handsets available to Verizon Wireless customers—and, after the transaction, to RCC customers—includes Verizon Wireless's branded handsets and devices that take advantage of the faster speeds provided by the EvDO Rev. A network enhancements. These devices, which will be available to RCC's customers for the first time, include Verizon Wireless's USB720 wireless modem, V740 ExpressCard, AirCard 595 and PC5750 PC Cards, all of which are fully compatible with the company's enhanced wireless broadband networks.

f. RCC's Customers Will Have Access to Enhanced Service Plans

Verizon Wireless offers a variety of service plans with data bundles and packaged offerings. All Verizon Wireless service plans include unlimited nights and weekends and unlimited mobile-to-mobile minutes. RCC offers plans that include limited night and weekend minute bundles, but only certain service plans offer unlimited mobile-to-mobile minutes. Verizon Wireless will be able to offer RCC customers enhanced service plans that RCC would not be able to offer on its own. As an example, the proposed transaction would allow RCC's customers access to a larger subscriber base of 62 million customers, to whom they could place unlimited calls on a mobile-to-mobile basis without tapping into their monthly minutes bucket.

The expansion of RCC's customers' mobile-to-mobile calling population from 770,000 to 62 million will result in significant cost savings for these customers.

RCC's customers will also benefit for the first time from Verizon Wireless's *America's Choice* plans, which provide a choice in the amounts of bundled minutes together with no roaming or long distance charges for calls on the Verizon Wireless preferred network. Verizon Wireless also offers family/small group and shared minute plans for multiple-user households and small businesses, plans targeted to business accounts with over 100 lines and national accounts with over 1,000 lines, and a national prepaid product that enables individuals to obtain wireless voice services without a long-term contract by paying in advance.

Verizon Wireless's industry leading results are directly related to meeting customers' needs, as demonstrated its our Worry Free Guarantee and commitment to deliver the best overall value proposition in the marketplace. One example of Verizon Wireless's dedication to leading the industry in value delivered to the customer is that this commitment extends to Verizon Wireless customers who elect to terminate their service during the term of their contract. Verizon Wireless is the only major carrier that prorates the customer's Early Termination Fee ("ETF"). Verizon Wireless's commitment to providing value in the eyes of the customer will be available to RCC customers and other potential customers in the RCC markets.

2. The Proposed Transaction Will Yield Extensive Benefits for Existing and Future Verizon Wireless Customers

In addition to producing substantial benefits for RCC customers, the proposed transaction will also yield extensive benefits for existing Verizon Wireless customers and, indeed, for all mobile customers in these markets. The transaction expands Verizon Wireless's licensed footprint into all or portions of 30 new cellular market areas where the company currently has no cellular or PCS spectrum, while adding spectrum capacity to support increasingly popular

broadband services and applications in others. Verizon Wireless customers will thus enjoy the expansion of network access and wireless broadband services, cost savings through increased efficiencies and greater economies of scale, and the formation of a stronger competitor in the already highly competitive CMRS market.

a. **Additional Spectrum Will Allow for Greater Roll-out of Broadband and Network Access**

The proposed transaction will benefit Verizon Wireless's existing and future customers by expanding the area in which Verizon Wireless can offer wireless broadband services. Specifically, RCC holds spectrum and provides service in eight rural CMAs where Verizon Wireless does not currently hold either 800 MHz cellular or 2 GHz PCS spectrum.³⁶ In addition, RCC holds spectrum in parts of twenty-two other rural CMAs where Verizon Wireless lacks complete 800 MHz or 2 GHz license coverage.³⁷ Importantly, Verizon Wireless's presence in these markets will introduce a first national competitor in five markets, create a second national competitor in eight of these markets, and add a third national competitor in eight other markets.

The transaction will thus provide Verizon Wireless access to areas—particularly rural areas—in which it is not currently providing service. In addition, the new areas will allow Verizon Wireless to implement more continuous coverage of major routes between cities in these areas:

- The increased coverage in Kansas 1 - Cheyenne, Kansas 6 - Wallace, and Kansas 7 - Trego will permit Verizon Wireless to provide continuous coverage on Interstate 70 across western Kansas, extending eastward its existing coverage from Denver, Colorado. I-70 is the principal highway between Kansas City, Missouri and Denver, Colorado.

³⁶ See n.21, *supra*.

³⁷ See n.22, *supra*.

- Similarly, the Oregon 3 – Umatilla market will permit Verizon Wireless to cover Interstate 84 between Salt Lake City, Utah and Portland, Oregon.
- In the southern cluster, the added coverage in Mississippi 3 – Bolivar will allow continuous coverage of Interstate 55 between Jackson, Mississippi and Memphis, Tennessee; Mississippi 2 – Benton will allow continuous coverage of US Highway 78 between Memphis, Tennessee and Birmingham, Alabama; and, the combination of Alabama 3 – Lamar, Mississippi 7 – Leake, and Mississippi 10 – Smith will allow complete coverage of Interstate 59 and Interstate 20, the major travel routes between Birmingham, Alabama and, respectively, Jackson, Mississippi and New Orleans, Louisiana.
- Minnesota 10 – Le Sueur likewise permits complete coverage of Interstate 35 between Minneapolis, Minnesota and Des Moines, Iowa, and, in conjunction with Minnesota 9 – Pipestone, allows continuous coverage of Interstate 90 between Madison, WI and Sioux Falls, South Dakota.
- South Dakota 4 – Marshall also allows complete coverage of Interstate 29 between Fargo, North Dakota and Sioux Falls, South Dakota.

In addition to increasing Verizon Wireless's coverage footprint by integrating RCC's CDMA operations in areas where Verizon Wireless does not currently operate, the proposed merger will enhance Verizon Wireless's ability to deploy new services in areas where its coverage overlaps with RCC. RCC has network assets—including both spectrum and radio towers—that can be incorporated into the Verizon Wireless network. Additional towers and transmitting facilities could enhance Verizon Wireless's signal strength in some areas and enable better allocation of network resources in others. Even more importantly, the additional spectrum held by RCC in particular markets will allow Verizon Wireless to deploy new wireless broadband services (for which there is rapidly growing demand), and, in other areas, to enhance capacity that exists. In fact, with Verizon Wireless's EvDO Rev. A broadband offerings, the data throughput speeds available to subscribers depend upon the loading of the serving cell site and the available spectrum at the cell site. Greater spectrum availability, therefore, will translate into faster broadband access as demand for that service continues to grow.

By facilitating the continued deployment of wireless broadband in RCC's rural markets, Verizon Wireless will further enhance the already competitive wireless data industry. Analysts expect strong growth in wireless data over the next several years.³⁸ Laptops already represent more than 50 percent of all PCs, and this percentage is expected to continue to grow.³⁹ But to take advantage of these developments, wireless carriers like Verizon Wireless require sufficient amounts of spectrum to support expanded service offerings that will stimulate growth in demand from additional customers and usage per customer. The proposed transaction will add to Verizon Wireless's ability to offer new broadband services in the overlap markets.

b. Synergies Will Increase Efficiency and Provide Economies of Scale and Scope

As discussed below, the proposed transaction will result in operational synergies including roaming expense savings, elimination of redundant facilities, and a reduction in sales, general, administrative, marketing and customer service costs.

(1) The Merger Will Provide Cost Savings Through Elimination of Roaming Costs Between RCC and Verizon Wireless

At present, RCC and Verizon Wireless are preferred roaming partners on each others' CDMA networks, so that RCC CDMA subscribers will generally roam on Verizon Wireless systems out-of-region. In fact, Verizon Wireless is RCC's largest source of CDMA roaming traffic and related revenues (and the 2nd largest overall regardless of technology). The savings

³⁸ See Mindbranch, *North American Wholesale Private Line Services Markets (June 2007)*, <http://www.mindbranch.com/North-American-Wholesale-R1-5920/> (last visited Aug. 26, 2007) ("In 2006, wireless data revenues increased by approximately 84 percent over 2005, and ... the wireless data segment is bound to grow further").

³⁹ See Michael Kanellos, *Notebooks pass desktops in U.S. retail (Feb. 1, 2006)*, http://news.com.com/2100-1044_3-6033967.html (last visited Aug. 26, 2007) ("Notebooks accounted for 50.9 percent of personal computers bought at retail in 2005, while desktops accounted for 49.1 percent.").

resulting from each company's roaming traffic being brought onto the expanded Verizon Wireless network will be substantial. In addition, Verizon Wireless will be able to save the costs currently incurred by both companies as a result of having to administer the companies' roaming agreements. The FCC has previously found that savings on roaming costs inures to the benefit of consumers and are an important factor in judging the benefits of a merger or acquisition.⁴⁰

(2) The Integration of the RCC and Verizon Wireless Networks Resulting from the Proposed Merger Will Result in Significant Cost Savings

RCC currently operates analog, GSM, TDMA and CDMA networks in various markets. After consummation, Verizon Wireless will integrate these networks into its pre-existing network over a period of about 18 months. With respect to RCC's existing CDMA network, the transition can proceed quickly, given the compatibility of the equipment with Verizon Wireless's existing CDMA network. Deployment is clearly expedited through the acquisition of an existing network, as opposed to acquiring bare spectrum and having to build it out.

With respect to RCC's GSM network, the transition will require that Verizon Wireless collocate CDMA equipment ("GSM/CDMA overlay") on many of RCC's existing towers while continuing to operate the GSM equipment. Further, Verizon Wireless intends to operate the GSM network even after the CDMA overlay is complete given the beneficial roaming that occurs on those networks. Verizon Wireless anticipates that the GSM/CDMA overlay will be complete in approximately 18 months. At that time, Verizon Wireless plans to commence the

⁴⁰ See *Cingular-AT&T Wireless Order*, 19 FCC Rcd at 21,605 (¶ 219) (finding reductions in marginal costs for wireless carriers are "likely to benefit consumers through lower price and/or increased service."); *ALLTEL-WWC Order*, 20 FCC Rcd at 13,108 (¶ 151) ("ALLTEL's merger with WWC would reduce its roaming costs in geographic markets where ALLTEL and WWC's service areas do not overlap, and the elimination of roaming agreements in these markets would directly benefit ... its customers.").

replacement of all existing GSM subscriber handsets with CDMA handsets. In those markets where Verizon Wireless already provides facilities-based service, some cost savings may also be achieved through the elimination of redundant cell sites.

(3) The Proposed Transaction Will Reduce Administrative Costs

As a result of the integration of the RCC and Verizon Wireless customer bases, the administrative costs associated with servicing customers will be reduced. For example, savings will result from the integration of RCC's third-party billing systems into Verizon Wireless's less costly in-house system. Verizon Wireless also offers web-based paperless billing and "my account" options that deliver significant benefits to customers (like free back-up protection for saved phone contacts and a new handset at promotional prices on an accelerated basis) that are not offered by RCC.⁴¹ As RCC's customers take advantage of these convenient services, further savings will follow. Indeed, Verizon Wireless already has the lowest cost per customer of any of its national competitors.⁴²

3. The Proposed Merger Will Result in the Formation of a Stronger Competitor in Today's Highly Competitive CMRS Market

The merger of RCC's wireless properties into Verizon Wireless will create a stronger and more efficient wireless competitor with greater coverage in an industry where national coverage has proven to be paramount in attracting customers and driving competition. Vigorous competition, in turn, will benefit all consumers in the relevant markets—including customers of

⁴¹ Today, RCC customers can make payments on-line through the U Pay service supported by Western Union. U Pay service is independent of the bill presentment and the customer is required to identify the account number, amount of payment and credit card information at the time of processing the payment. RCC customers cannot receive their bills on-line today.

⁴² Second quarter 2007 reported cash operating cost per subscriber: Verizon Wireless \$27.70, AT&T \$32.44, Sprint \$35.47 and T-Mobile \$35.40.

RCC and Verizon Wireless—by encouraging better quality of service, more choices in service, applications, rate plans, and wireless devices, and lower prices.

The benefit to competition will be especially profound in RCC areas not currently served by Verizon Wireless. There, a new national provider will be available to provide consumers with enhanced choices in both equipment and service. Pitted against other national carriers and local systems with national affiliates, consumers in the RCC areas will be able to select from a broader variety of rate plans, data services, and content offerings in addressing their communications needs. With a wider menu of options to choose from—including Verizon Wireless's award winning service—the Applicants would expect greater competitive pressure to be exacted upon existing market participants. The enhanced competition, obviously, inures to the benefit of all customers in the market, whether or not they choose to have their wireless needs met by the combined company.

As noted previously, Verizon Wireless's presence will increase the number of national carriers available to customers and potential customers from zero to one in five markets, from one to two in eight markets, and from two to three in eight markets.⁴³ The FCC has consistently recognized that increased competition, particularly among the largest national carriers, is essential for the continued development, expansion, and innovation of faster and cheaper

⁴³ The Applicants believe that no national carriers are operational and marketing in CMA438, CMA439, CMA440, CMA489, and CMA608. The Applicants believe that only one national carrier is currently operating and marketing in CMA429 (Sprint, through Nex-Tech), CMA434 (Sprint, through Nex-Tech), CMA637 (Sprint), CMA310 (T-Mobile), CMA384 (AT&T), CMA428 (Sprint, through Nex-Tech), CMA433 (Sprint, through Nex-Tech), and CMA464 (AT&T). The Applicants believe only two national carriers are operating and marketing in CMA490 (T-Mobile & Sprint), CMA309 (AT&T & T-Mobile), CMA311 (AT&T & T-Mobile), CMA483 (AT&T & Sprint), CMA488 (T-Mobile & Sprint), CMA491 (T-Mobile & Sprint), CMA498 (T-Mobile & Sprint) and CMA709 (AT&T & Sprint).

wireless service.⁴⁴ The FCC has also previously considered the likely benefits to all consumers of increased competition to be a critical factor in approving mergers and acquisitions. Because these competitive benefits weigh heavily in the public interest, they should be strong factors in support of this proposed transaction.

C. The Proposed Merger Will Not Significantly Harm Competition in Any Product Market

1. The Analytical Framework

a. The Relevant Product Market

As the Commission has explained, “[m]ergers raise competitive concerns when they reduce the availability of choices to the point that the merged firm has the incentive and the ability, either by itself or in coordination with other firms, to raise prices.”⁴⁵ In other words, the FCC’s concerns are triggered by market power, and the analysis of market power “begin[s] by determining the appropriate market definitions to employ for the analysis, as well as identifying

⁴⁴ See, e.g., *Implementation of Sect. 6002 of the Omnibus Budget Reconciliation Act of 1993; Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Servs., Eleventh Report*, 21 FCC Rcd 10,947 (¶ 5) (“11th Annual Competition Report”) (cited subsequently to the pagination as found in the Sept. 29, 2006 release of the document, FCC 06-142) (“Indicators of market performance show that competition between wireless carriers continues to yield significant benefits to consumers.”); *Cingular-AT&T Wireless Order*, 19 FCC Rcd at 21,554 (¶ 63) (“By fostering continuing experimentation with a variety of different pricing options, service packages, and policies on handset subsidies, competition to attract and retain customers has resulted in complicated and ever-changing pricing and feature structures.”); *id.* at 21,568 (¶ 107) (“To begin with, the Commission has found that there is generally effective competition in mobile telephony markets today”).

⁴⁵ See, e.g., *ALLTEL-Midwest Order*, 21 FCC Rcd at 11,539 (¶ 22); *Sprint-Nextel Order*, 20 FCC Rcd at 13,981 (¶ 30); *ALLTEL-WWC Order*, 20 FCC Rcd at 13,066 (¶ 22); *Cingular-AT&T Wireless Order*, 19 FCC Rcd at 21,556 (¶ 68); Horizontal Merger Guidelines, issued by the U.S. Department of Justice and the Federal Trade Commission, at § 0.1 (Apr. 2, 1992, revised Apr. 8, 1997) (“DOJ/FTC Merger Guidelines”), at http://www.usdoj.gov/atc/guidelines/horiz_book/hmg1.html (last visited Aug. 26, 2007).

relevant market participants.”⁴⁶ As discussed herein, the Applicants have analyzed the proposed transaction under the Commission’s typical product market definition that combines interconnected voice and data services, as well as residential and enterprise services, in a “combined market for mobile telephony service.”⁴⁷

The Applicants have also undertaken the competitive analysis utilizing the smaller geographic basis used by the FCC in prior wireless merger proceedings—CMAs.⁴⁸ While the Applicants have utilized CMAs for purposes of analyzing this transaction in the interest of expedited processing, the Applicants do note that the market for mobile telephone service is, in fact, increasingly national in scope. While a national geographic scope has been rejected in certain prior merger proceedings, growing national forces—such as the increasing reliance on national rate plans—argue more and more for redefining how the Commission judges the competitive effects of transactions.

b. Identification of Participants in the Relevant Product Market

In order to identify market participants, the FCC typically evaluates “whether spectrum is within the input market for mobile telephony service by examining its suitability for mobile voice service,” an analysis that revolves around specific spectrum bands’ “physical properties,

⁴⁶ See, e.g., *ALLTEL-Midwest Order*, 21 FCC Rcd at 11,541 (¶ 25); *Sprint-Nextel Order*, 20 FCC Rcd at 13,981 (¶ 32); *ALLTEL-WWC Order*, 20 FCC Rcd at 13,067 (¶ 24); *Cingular-AT&T Wireless Order*, 19 FCC Rcd at 21,557 (¶ 70).

⁴⁷ See, e.g., *ALLTEL-Midwest Order*, 21 FCC Rcd at 11,541 (¶ 26); *Sprint-Nextel Order*, 20 FCC Rcd at 13,983 (¶ 38); *ALLTEL-WWC Order*, 20 FCC Rcd at 13,068 (¶ 29); *Cingular-AT&T Wireless Order*, 19 FCC Rcd at 21,558 (¶ 74).

⁴⁸ The FCC has used “two sets of geographic areas that may be used to define local markets—Component Economic Areas (‘CEAs’) and [CMAs].” See, e.g., *ALLTEL-Midwest Order*, 21 FCC Rcd at 11,542 (¶ 29); *Sprint-Nextel Order*, 20 FCC Rcd at 13,991 (¶ 57); *ALLTEL-WWC Order*, 20 FCC Rcd at 13,072-073; (¶¶ 44-45); *Cingular-AT&T Wireless Order*, 19 FCC Rcd at 21,567-568 (¶¶ 104-105).

the state of equipment technology, whether the spectrum is licensed with a mobile allocation and corresponding service rules, and whether the spectrum is committed to another use that effectively precludes its uses for mobile telephony.”⁴⁹ In the past, the FCC has typically concluded that “the input market currently includes cellular, PCS, and Specialized Mobile Radio (“SMR”) spectrum and currently totals approximately 200 MHz of spectrum.”⁵⁰ In recent transactions, the Commission has then determined whether participants should include providers other than facilities-based carriers, and generally determined that non-terrestrial, non-facilities based providers should not be considered market participants for purposes of mobile telephony.⁵¹

The Applicants agree that the range of input spectrum should include cellular, PCS and SMR bands. However, the Applicants believe this should not be the only spectrum considered in defining the product market. Significant changes have occurred recently that warrant revisiting prior FCC conclusions about whether to include certain additional bands in the analysis. As the Commission itself noted in the *ALLTEL-Midwest Order*, “the Commission may from time-to-time need to re-evaluate whether additional spectrum should be viewed as suitable for the provision of mobile telephony services.”⁵² As discussed below, recent events warrant the agency’s consideration of such changes.

⁴⁹ See, e.g., *ALLTEL-Midwest Order*, 21 FCC Rcd at 11,543 (¶ 31); *Sprint-Nextel Order*, 20 FCC Rcd at 13,992 (¶ 61); *ALLTEL-WWC Order*, 20 FCC Rcd at 13,071 (¶ 41); *Cingular-AT&T Wireless Order*, 19 FCC Rcd at 21,560-61 (¶ 81).

⁵⁰ See, e.g., *ALLTEL-Midwest Order*, 21 FCC Rcd at 11,543 (¶ 31); *Sprint-Nextel Order*, 20 FCC Rcd at 13,993 n.155; *ALLTEL-WWC Order*, 20 FCC Rcd at 13,071 (¶ 41); *Cingular-AT&T Wireless Order*, 19 FCC Rcd at 21,561 (¶ 81).

⁵¹ See, e.g., *ALLTEL-Midwest Order*, 21 FCC Rcd at 11,544 (¶ 33); *Sprint-Nextel Order*, 20 FCC Rcd at 13,991 (¶ 58); *ALLTEL-WWC Order*, 20 FCC Rcd at 13,070-071 (¶¶ 38-39); *Cingular-AT&T Wireless Order*, 19 FCC Rcd at 21,563-564 (¶ 92).

⁵² *ALLTEL-Midwest Order*, 21 FCC Rcd at 11,543 (¶ 31 & n.129).

First, developments in the Broadband Radio Service/Educational Broadband Service (“BRS/EBS”) 2.5 GHz spectrum have mooted the Commission’s previously articulated basis for omitting this spectrum from the product market. In October of 2006 when the FCC last reviewed a major mobile telephony transaction, it concluded that BRS/EBS “is not currently part of the input market for mobile telephony service.”⁵³ The FCC based this conclusion on a finding that the BRS/EBS spectrum “is currently subject to rebanding requirements,” noting that such efforts may reduce the overall amount of spectrum held by BRS/EBS licensees such as Sprint and Clearwire. In the nine months since that order, however, transition plans have been filed in 308 (of 489) Basic Trading Areas (“BTAs”), and the transition has been certified as “complete” in 49 of those BTAs.⁵⁴

Even more importantly, Sprint and Clearwire recently announced a joint venture for the BRS/EBS band whereby they will collaborate “to provide consumers, businesses and distributors across the country with access to the open Internet over a robust wireless broadband network that is being designed to deliver comparable speeds to existing wireline broadband services and offer maximum customer flexibility.”⁵⁵ Among other things, the joint venture will “enable roaming between the respective territories.”⁵⁶ The technology of choice is Mobile WiMAX, which is “wireless broadband technology that is designed to operate more than five times faster than

⁵³ *Id.*

⁵⁴ By the Applicants’ calculations, as of July 30, 2007, BRS/EBS transition plans have been filed in BTAs covering 176 counties within RCC’s licensed footprint of 328 counties.

⁵⁵ “Sprint Nextel and Clearwire to Partner to Accelerate and Expand the Deployment of the First Nationwide Mobile Broadband Network Using WiMAX Technology,” Press Release (July 19, 2007), available at: http://www2.sprint.com/mr/news_dtl.do?id=17520 (last visited Aug. 26, 2007).

⁵⁶ *Id.*

today's third-generation wireless networks at lower cost."⁵⁷ It is designed to permit users to "conduct live video-conferences from remote locations, and perform other interactive multi-media applications anywhere in the coverage area."⁵⁸ Sprint, in fact, just branded its BRS/EBS offering "XOHM" and announced that it "currently expects the network buildout to reach 100 million people by the end of 2008 . . . [which is] expected to grow to approximately 125 million people by the end of 2010."⁵⁹ Because of the similarities of these services to cellular, PCS and enhanced SMR services, BRS/EBS spectrum licensees should be considered competitors in the relevant product market.

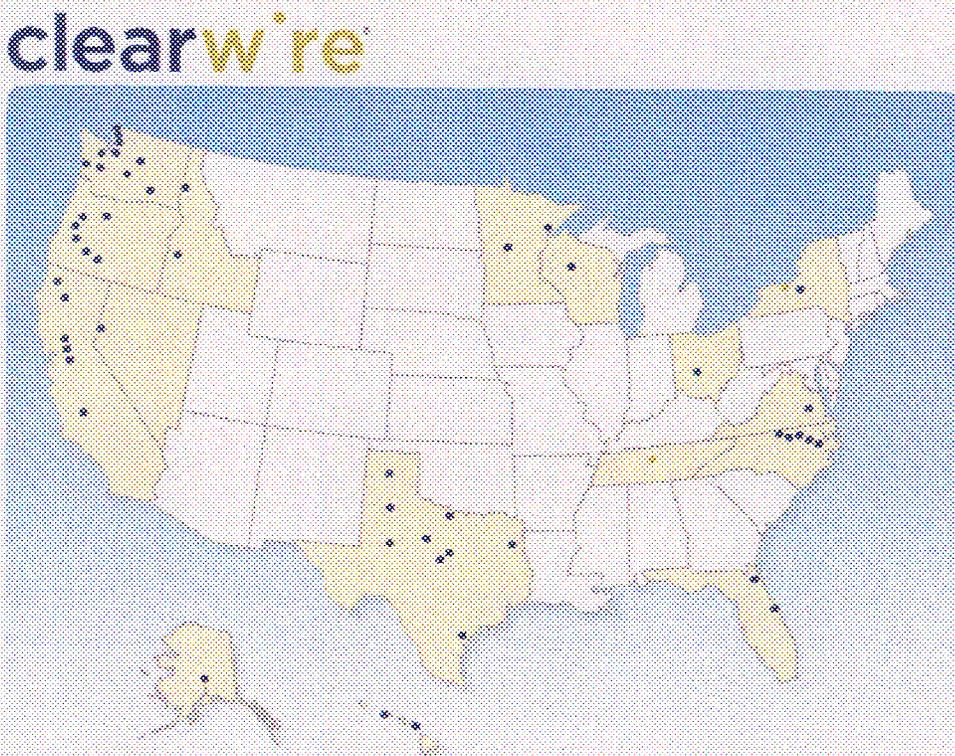
In such regards, Clearwire has taken WiMAX into rural areas, validating the profitability of entry into lower population density markets such as those served by RCC. Within the Verizon Wireless/RCC overlap area in Oregon, for example, Clearwire already serves smaller communities such as Madras, Metolius, Sisters, Redmond, Pineville, and Altamont, in addition to larger markets such as Bend and Klamath Falls. In the Washington state/Idaho state overlap markets, Clearwire provides service to Pullman, Moscow, Clarkston, Wenatchee, and Lewiston. And, in the Minnesota overlap area, Clearwire provides service to St. Cloud, as well as Brainerd, Baxter, Fort Ripley, Randall City, Little Falls, Royalton, Rice, Foley, Sartell, Sauk Centre, Melrose, Freeport, Albany, Avon, Richmond, Paynesville, New London, Spicer, and Willmar.

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ "Sprint Nextel Demonstrates Key Technologies For Mobility Strategy," Press Release (Aug. 16, 2007), available at: <http://www.fiercewireless.com/press-releases/press-release-sprint-nextel-demonstrates-key-technologies-mobility-strategy> (last visited Aug. 27, 2007).

In fact, as shown in the Clearwire coverage map below, Clearwire's footprint covers many of the Verizon Wireless/RCC overlap areas.⁶⁰



Second, the Applicants believe the FCC's prior decision not to include Advanced Wireless Services ("AWS") spectrum should be reconsidered. In the *ALLTEL-Midwest Order*, the Commission declined to consider AWS licensees to be participants in the mobile telephony market based on the fact that, at that time, the initial auction for that band had just concluded and no licenses had yet been awarded. The Commission further noted issues regarding the relocation of U.S. Government and microwave incumbents, and concluded that "it is still premature to classify the AWS spectrum as suitable for the provision of mobile telephony for purposes of our

⁶⁰ See http://www.clearwire.com/store/service_areas.php (last visited Aug. 27, 2007).

analysis here.”⁶¹ In the intervening nine months since that determination, AWS licenses have, in fact, been issued, and operators have begun significant relocation activity.⁶² In addition, the timeline for U.S. government relocation has commenced, and the clearing of such links has been ongoing. At least one national competitor, T-Mobile, has already announced plans to begin offering high speed 2.5G data services on this spectrum.⁶³ And, LEAP and MetroPCS have both also announced plans for significant AWS usage in the near term.⁶⁴ Indeed, on September 4, 2007, MetroPCS proposed to acquire LEAP, which would significantly expand their combined footprint and economies of scope and scale.⁶⁵ As a result, AWS spectrum can increasingly be used for mobile telephony and should be considered in the FCC’s analysis.

Third, the Commission has already licensed significant spectrum in the 700 MHz band and recently announced a January 16, 2008 date to commence the auction of the lower A, B, and

⁶¹ *ALLTEL-Midwest Order*, 21 FCC Rcd at 11,543 (¶ 31 & n.129).

⁶² Report of the CTIA Spectrum Clearinghouse, LLC, ET Docket No. 00-258 (filed July 31, 2007) (noting relocation contracts filed for 36 links, even though the initial deadline for filing relocation data is not until August 31, 2007).

⁶³ See Dan Frommer, T-Mobile Plays 3-G Catch-Up, http://www.forbes.com/intelligentinfrastructure/2006/10/06/t-mobile-3g-launch-tech-intel-cx_df_1006tmobile.html (last visited Aug. 12, 2007) (noting, in Oct. 2006, that “T-Mobile spent \$4.2 billion for spectrum licenses in the Federal Communications Commission’s Advanced Wireless Services auction” and “will sell high-speed data services beginning next year”).

⁶⁴ LEAP Wireless International, Inc. Form 10-Q (filed Aug. 9, 2007) at 25, 36 (stating “[w]e and Denali License have already begun the build-out of the Auction #66 markets and expect to launch a significant number of markets in 2008 and 2009”); MetroPCS Form 10-Q (filed Aug. 10, 2007) at 24 (stating “[w]e currently plan to focus on building out approximately 40 million of the total population in our Auction 66 Markets with a primary focus on the New York, Philadelphia, Boston and Las Vegas metropolitan areas. Of the approximate 40 million total population, we are targeting launch of operations with an initial covered population of approximately 30 to 32 million by late 2008 or early 2009.”).

⁶⁵ MetroPCS Proposes to Merge with Leap Wireless in a Strategic Stock-for-Stock Tax-Free Merger to Create a New National Wireless Carrier, <http://investor.metropcs.com/phoenix.zhtml?c=177745&p=irol-newsArticle&ID=1047542&highlight=> (last visited Sept. 4, 2007).