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November 30, 2007

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: Notice of *Ex Parte* Presentation; Consolidated Application for Authority to
Transfer Control of XM Radio Inc. and Sirius Satellite Radio Inc.
MB Docket No. 07-57

Dear Ms. Dortch:

Attached for consideration in connection with the above-referenced merger of XM Satellite Radio Holdings Inc. and Sirius Satellite Radio Inc. and the advocacy of U.S. Electronics, Inc., for conditions requiring open access to the satellite radio network in order to counteract the consumer and competitive harm that would otherwise result from a vertical monopoly, please find copies of two articles published in the Wall Street Journal, written by Amol Sharma and Dionne Searcy, entitled, "Verizon to Open Cell Network to Others' Phones;" and a related article by Dionne Searcy, entitled, "Verizon's Opening Move and You," and an article published in the Washington Post, written by Kim Hart, entitled, "Verizon to Open Its Wireless Network – Move Gives Users Increased Choices."

Of particular relevance are the following excerpts from the article "Verizon to Open Cell Network to Others' Phones."

Facing growing pressure from regulators, consumers and potential rivals, Verizon Wireless will soon allow wireless customers on its network to use a wide array of phones and mobile devices bought elsewhere.

The change ... moves the U.S. wireless industry a step closer to the model in much of the rest of the world, where consumers can generally purchase devices independent of carriers and then plug them into their operator of choice.

Under Verizon's new policy, consumers will be able to go to virtually any electronics store and buy cell phones and other mobile devices for use on Verizon's network as long as the devices meet the carrier's minimum standards.

... Verizon's change of heart is the latest sign of how regulatory, legal and market pressures are forcing U.S. wireless carriers to rethink their traditional models and give consumers more freedom to pick their network providers, devices and mobile applications.

Verizon ... over time ... softened its position, saying this summer it would agree to some of the open-access rules the FCC was proposing.

FCC Chairman Kevin Martin said in a statement that he is pleased by Verizon's decision and believes that "wireless customers should be able to use the wireless device of their choice and download whatever software they want onto it."

Verizon said that early next year it will publish technical standards for the development community so that software, applications and devices can run on its network. The company said it will also make sure the new devices and features have no bugs that could affect other Verizon customers. It has put \$20 million into its labs to support the new program.

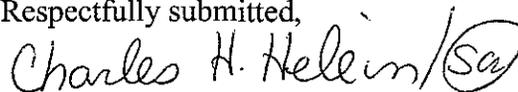
Quoting Mr. Lowell McAdam, Verizon's Chief Executive, Ms. Hart reports in her article for the Washington Post the reasons for Verizon's action.

We're motivated to make this announcement for two reasons: to give customers a second option to connect to Verizon's network and for the competitive advantage we believe it gives us.

Ms Kim also reports that "FCC Chairman Kevin J. Martin and Rep. Edward J. Markey, chairman of the House subcommittee in charge of telecommunications issues, praised the announcement as a victory for consumers."

In accordance with Section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, and the Commission's Public Notice dated March 29, 2007 (DA 07-1435), a copy of this letter is being filed in the docket via ECFS.

Respectfully submitted,



Charles H. Helein

Counsel for U. S. Electronics, Inc.

cc (via email): Chairman Martin, Commissioner Copps, Commissioner Adelstein, Commissioner Tate, Commissioner McDowell, Daniel Gonzalez, Catherine Bohigian, Monica Desai, Roy Stewart, Rosemary Harold, Helen Domenici, Michelle Carey, Aaron Goldberger, Rick Chessen, Bruce Gottlieb, Barry Ohlson, Rudy Brioché, Chris Moore, Amy Blankenship, Angela E. Giancarlo, Cristina Chou Pauzé



November 28, 2007

Verizon to Open Cell Network to Others' Phones

By **AMOL SHARMA** and **DIONNE SEARCEY**

November 28, 2007; Page B1

Facing growing pressure from regulators, consumers and potential rivals, Verizon Wireless will soon allow wireless customers on its network to use a wide array of phones and mobile devices bought elsewhere.

The change, which will take effect by the middle of next year, is a big shift for Verizon, the nation's No. 2 carrier by subscribers, and it moves the U.S. wireless industry a step closer to the model in much of the rest of the world, where consumers can generally purchase devices independent of carriers and then plug them into their operator of choice. (For what the change means to consumers, see this related article¹.)

Under Verizon's new policy, consumers will be able to go to virtually any electronics store and buy cellphones and other mobile devices for use on Verizon's network as long as the devices meet the carrier's minimum standards. Right now, Verizon Wireless customers have to go to Verizon's retail stores or those of its partners and choose from whatever phones are offered by the carrier. Consumers switching from one cellphone service to another usually have to give up their old phone and get a new one.

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In the short term, the impact of the shift may be limited. Verizon, a joint venture of **Verizon Communications Inc.** and **Vodafone Group PLC**, will continue to sell phones at its outlets as it does now. And because the carrier -- like other cellphone companies -- subsidizes the cost of phones sold in its retail network, few consumers may want to pay the higher prices to buy a phone from an unaffiliated outlet. It isn't clear whether Verizon will charge consumers using phones bought elsewhere the same

price for its cellphone plans; Verizon declined to discuss pricing plans yesterday except to say that data charges will be based on usage. It also said it couldn't guarantee the same level of support for devices it doesn't sell.

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What's more, because Verizon uses a different technical standard from most of its rivals, a phone used on **AT&T** Inc.'s network wouldn't work on Verizon's.

Still, Verizon's change of heart is the latest sign of how regulatory, legal and market pressures are forcing U.S. wireless carriers to rethink their traditional models and give consumers more freedom to pick their network providers, devices and mobile applications. In recent months, **AT&T**, **Sprint Nextel Corp.** and **T-Mobile USA** all responded to the threat of government regulation by announcing they would follow Verizon's move last year to prorate fees for contract termination rather than forcing all customers to pay exit fees that run as high as \$200.

In October, Sprint Nextel agreed as part of a class-action settlement to provide departing Sprint customers with the code to "unlock" their phones' software so the phones can be used on other providers' networks, though a California judge has yet to approve the settlement. There is activity overseas, too: Court action in Germany just last week forced **Deutsche Telekom AG's** T-Mobile to back off an agreement with Apple Inc. to be the exclusive provider of the iPhone in Germany. Now, T-Mobile will have to allow the device on the networks of competitors. The company said it would sell the "unlocked" iPhone for \$1,483.



Kevin J. Martin

Meanwhile, technology companies like **Google Inc.**, **eBay Inc.'s** Skype and a host of mobile start-ups have been pushing operators to make it easier to get their devices and applications in front of consumers. Carriers often block, disable or play down features they don't want consumers to use. Over the summer, Google successfully persuaded the Federal Communications Commission to set aside a portion of the spectrum it is auctioning early next year for a new open network. And it teamed up with handset makers and others in the tech industry to launch a new mobile operating system, Android, to power mobile phones and allow a greater range of applications and services.

Those efforts have paid dividends. Two U.S. carriers, T-Mobile USA and Sprint, have signed on to the Android initiative so far.

Verizon hasn't yet signed on to Android and faced off against Google over the FCC rules, strenuously opposing what it saw as unfair government meddling in the marketplace. But over time the carrier softened its position, saying this summer it would agree to some of the open-access rules the FCC was proposing.

With its latest initiative, Verizon can open its network on its own terms, carving out its current retail business from the changes. FCC Chairman Kevin Martin said in a statement that he is pleased by Verizon's decision and believes that "wireless customers should be able to use the wireless device of their choice and download whatever software they want onto it."

Verizon's move was called "a great step forward" by Google Chief Executive Eric Schmidt. "As the Internet has demonstrated, open models create better services for consumers and stronger businesses for providers," Mr. Schmidt said in a statement. "We are excited to work with Verizon and other industry leaders to achieve this vision."

Verizon said that early next year it will publish technical standards for the development community so that software, applications and devices can run on its network. The company said it will also make sure the new devices and features have no bugs that could affect other Verizon

customers. It has put \$20 million into its labs to support the new program.

The carrier's standards for devices on its open network won't be "nearly as extensive" as those for the devices it certifies for its own retail stores, Chief Marketing Officer John Stratton added.

There was little sign Verizon's rivals were planning to follow suit. Verizon's biggest competitor, AT&T, said it wasn't contemplating a similar move. Ralph de la Vega, chief executive of AT&T's wireless unit, says he doesn't see a need for the carrier to follow in Verizon's footsteps. "If there is an application or service people want, we make it available," he said, pointing to the company's variety of music offerings from Yahoo, Napster and eMusic as one example. "We are probably more open than people give us credit for."

Mr. de la Vega said a key concern for AT&T is testing devices rigorously to make sure they are compatible with the carrier's network, something he wouldn't want to compromise on. "Otherwise people will turn on a device and their voice mail or some other feature won't work," he said.

In statements, the other two major wireless carriers, Sprint and T-Mobile, touted their openness to new features and phones but stopped short of saying they would duplicate Verizon's move.

Still, if Verizon's position becomes the standard for all U.S. carriers, that could send ripples through the equipment industry. Handset makers like **Nokia Corp.**, **Motorola Inc.** and **LG Electronics Inc.** would be able to market directly to U.S. consumers, rather than having to sell mainly to carriers. Also, manufacturers would be able to distribute phones to customers on multiple networks.

Today, U.S. operators generally strike "exclusive" handset deals with manufacturers so they can use their phone models to lure customers. For instance, Verizon Wireless is the exclusive carrier partner in the U.S. for LG's Chocolate music phone. If AT&T or Sprint customers want the phone, they have to sign up for a new service plan with Verizon.

These arrangements have limited the presence of some companies in the U.S. Nokia, the world's largest cellphone maker, has close to a 40% share of the global market but less than 10% of the North American market, partly because it is more reluctant to customize its products for carriers than its peers, industry analysts and executives say. A Nokia spokesman said it was too early to tell how the move would affect the company's strategy in the U.S.

The ramifications go beyond cellphones. Verizon hopes that electronics manufacturers will create a variety of devices for its open network, such as notebook computers with wireless broadband, personal music devices, digital cameras, electronic book readers and portable gaming systems. Mr. Stratton said he envisions even kitchen appliances being linked to the company's network one day. "It's subject to imagination," he told reporters in a conference call on Monday. "It encourages anyone who wants to get in the game to get in the game."

—Jessica E. Vascellaro, Amy Schatz, Kevin Delaney, Li Yuan and Sara Silver contributed to this article.

Write to Amol Sharma at amol.sharma@wsj.com⁷ and Dionne Searcey at dionne.searcey@wsj.com⁸

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November 28, 2007

Verizon's Opening Move and You

By **DIONNE SEARCEY**
 November 28, 2007; Page D1

Verizon Wireless's decision to open up its network will likely mean more choices for gadget shoppers.

In many parts of the world, buying a cellphone involves a trip to an electronics store where consumers can pick whatever phone they want. Then they figure out which cellphone service provider they'd like to use.

¹ RELATED STORY

- Verizon to Open Cell Network ²
11/28/07



Not so in the U.S., where cellphone companies long have exercised an iron grip on what phones were offered in the marketplace. Consumers first have to pick their cellphone carrier and then buy the phone -- at heavily subsidized prices -- from the carrier. That

has limited both the array of phones available in the U.S. and the features on the phones.

In recent months, a growing chorus of players -- consumers, regulators and big companies striving to break into mobile communications -- have sought to break down the existing system. **Google** Inc. has led the way, unveiling an alliance of cellphone companies, tech companies and handset makers this month to make new software available free of charge to power mobile phones. Google also pressured regulators to join the crusade.

Not all the details are yet clear, but Verizon Wireless's move will likely mark a turning point in the long push to open the U.S. wireless industry.

What does Verizon's announcement mean for cellphone users?

Consumers will be able to buy cellphones and other mobile devices sold by companies other than Verizon and use them on Verizon's network. It also means consumers will be able to get special features and applications on their phones not offered by Verizon.

When will this go into effect?

It should go into effect in mid-2008.

How much is it likely to cost to buy a phone from an electronics store rather than a carrier?

Verizon isn't offering any estimates, but because Verizon now subsidizes the cost of the phones it

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sells, consumers buying elsewhere may pay a lot more. The cost may range dramatically, from inexpensive phones for less than \$50 to top-of-the-line multimedia phones for \$500.

Will I be able to use an old cellphone from another carrier like AT&T on Verizon's network?

Not necessarily. U.S. cellphone carriers each operate on one of two different technical standards. Verizon and Sprint use CDMA technology, while AT&T uses GSM, the standard used in most of the world. Phones built to run on CDMA can't operate on GSM, so an old AT&T phone, for instance, couldn't be used on Verizon's network. But it is possible an old Sprint phone could work on Verizon's network.

Will I be able to buy the iPhone and use it on Verizon's network?

Not in its current form. The iPhone runs on a GSM network; Verizon uses CDMA technology. Unless **Apple Inc.** comes up with a new CDMA phone, iPhone users will be out of luck.

Will the new plan mean that I can use my Verizon phone in more places overseas?

Not unless more manufacturers introduce handsets with chips that run on GSM technology, which is used in many nations outside the U.S., as well as CDMA technology, which Verizon uses. Some handset makers are starting to make these dual-mode phones, but they are still fairly rare.

Will Verizon's cellphone plans cost as much if I'm using a phone I bought elsewhere?

Verizon is staying mum on pricing, but some analysts expect the company to charge more.

Verizon's announcement talks about allowing outside "applications" on phones using the Verizon network. What does that mean?

Currently Verizon decides which software applications, like gaming and music services, it will allow on phones using its network. That has meant some applications designed by independent software developers haven't been available on a Verizon cellphone. Verizon's announcement changes that. Now any application that meets a new set of technical standards will be allowed on cellphones using Verizon's network, opening the gates to more services.

What sort of applications could become available as a result of that change?

Depending on how much leeway Verizon decides to give developers in drafting its standards, consumers could use Verizon's network to access a greater number of mobile video and music services, electronic books, payment and banking services and location-based services that give the user information specific to where they are. Developers could charge for their services or offer them free with advertising.

Verizon mentioned home appliances in its announcement. What are they talking about?

Verizon says its new policy will allow for unlimited innovation in linking devices and software to its network. They cite examples such as a digital camera being linked to a wireless network so that images could be uploaded to a Web page immediately.

Do other U.S. carriers have the same approach?

No. Other large cellphone operators in the U.S., like AT&T Inc., sell select devices with approved features through their own retail outlets and occasionally through a few partners.

Are there any drawbacks to using the outside devices or hardware?

Verizon's customer service won't support the new features. That means consumers will be left to troubleshoot with the makers of individual devices or software.

Verizon talks about devices that meet "minimum technical standards." How stringent are those standards likely to be and will most current devices likely make the grade?

Verizon insists its standards aren't overly strict and says its goal is simply to be sure that no new applications or hardware will introduce bugs that could affect other customers.

Does Verizon intend to go the other way, too, and unlock phones that you buy from them to make them available to work on other networks?

Customers can already take phones they buy at Verizon and activate them on Sprint, which uses the same CDMA technology, though certain features may not be supported by Sprint.

--Jessica E. Vascellaro and Sara Silver contributed to this article.

Write to Dionne Searcey at dionne.searcey@wsj.com³

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Verizon To Open Its Wireless Network

Move Gives Users Increased Choices

By Kim Hart
Washington Post Staff Writer
Wednesday, November 28, 2007; D01

Verizon Wireless said yesterday that it would allow customers to use any compatible device or software on its network, responding to growing pressure on the wireless industry to give people more control over how they use their phones.

Consumer groups, federal regulators and software developers have called on wireless carriers to open their networks to more devices and applications, a departure from the current business model in which carriers largely decide which phones and features will be available to customers.

Yesterday's announcement is an about-face for the nation's second-largest wireless carrier, which until now has vocally resisted such change. But by the end of next year, consumers will be able to connect to its network using any device, as long as it is compatible with its technology. Apple's iPhone, however, will not work on the network because it runs on a different standard. Third-party software developers will also be able to sell their applications directly to consumers without getting permission from the carrier -- a move Verizon Wireless says will help it keep up with consumer demand for new features.

"We're motivated to make this announcement for two reasons: to give customers a second option to connect to Verizon's network and for the competitive advantage we believe it gives us," chief executive Lowell McAdam said in a conference call.

Verizon Wireless's new approach acknowledges that the wireless industry is moving to a model similar to that of the Internet, where users can access and download whatever they choose, analysts said. The Federal Communications Commission adopted rules that will require the winning bidder on a large piece of wireless airwaves to be auctioned off in January to build a network that allows use of any device or application. It also follows Google's announcement this month that it is partnering with developers, handset makers and carriers, including T-Mobile and Sprint Nextel, to offer a more open system.

"This gets Verizon [Wireless] out in front of potential regulation and competitive pressures so they can set their own terms," said Avi Greengart, a wireless analyst for Current Analysis, a market-research firm based in Sterling. "This positions the company well, regardless of who wins the auction."

Verizon Wireless said it would publish technical standards by early next year to help developers design software for the network. The company will charge a fee to test outside devices in its lab, which will receive an additional \$20 million in investment, to make sure they are compatible with its technology. But the company will not accept phones sold by T-Mobile and AT&T, including the iPhone, because they use a different technical standard.

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Charles Golvin, an analyst at Forrester Research, said Verizon Wireless's plan represents a compromise that satisfies the FCC's auction requirements without giving up as much control as Google's new system would require.

"They want to be open," he said, "but not that open."

The company said it also would continue selling phones with pre-determined features. The "bring-your-own" phone service is meant to cater to customers who want to switch to a new service provider without having to buy a new phone, McAdam said.

Verizon Wireless's new policy also opens the network to a host of other devices, such as video game consoles, digital cameras and home appliances equipped with special chips, a system similar to the WiMax network proposed by Sprint and the WiFi-enabled service touted by T-Mobile.

"Verizon [Wireless] is facing a serious threat by other carriers that have been making noise about networks that are more open," said Shahid Khan, a partner at IBB Consulting, a media and telecom consulting firm. "It's small step for Verizon but a pretty big step for the wireless industry."

FCC Chairman Kevin J. Martin and Rep. Edward J. Markey, chairman of the House subcommittee in charge of telecommunications issues, praised the announcement as a victory for consumers. But some consumer groups, including Public Knowledge and Media Access Project, say it may be too limited to bring real change. Through its testing process, Verizon will still ultimately decide which phones and applications can work on its network, they say, and customers could end up paying more to use outside products. "When more details are out, we'll discover what all the 'gotchas' are," said Amol Sarva, chief executive of Txtbl, a start-up that hopes to provide mobile e-mail service to cellphone users.

While Verizon's move could create an outlet for tech-savvy people with enough know-how to pick their own phones and download their own products, typical wireless customers may not care to opt into the new plan.

"It's not like you're going to walk into a Verizon store and see a bazaar of new products," Sarva said. "But it's a good sign that the glacier of mobile control is starting to melt."

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