



Chairman Kevin J. Martin
Commissioner Michael J. Copps
Commissioner Jonathan S. Adelstein
Commissioner Deborah Taylor Tate
Commissioner Robert M. McDowell
Federal Communications Commission
445 12th St., SW
Washington DC 20554

October 28, 2008

Subject: *Cellco Partnership d/b/a Verizon Wireless and Atlantis Holdings LLC ("Verizon/Alltel")*, WT Docket 08-95.

Dear Chairman Martin and Commissioners:

We are dismayed that the FCC would put more wireless consolidation on its election day rocket docket, and have particular concerns about the acquisition of Alltel by Verizon.

It seems odd to us that Goldman Sachs would announce they wanted to sell Alltel less than six months after they closed its purchase. Alltel is a strong, independent rural mobile-phone carrier, and is profitable. In this era of financial turmoil, should the FCC be in the business of greasing the wheels for investors to day trade with our country's communications companies, instead of taking a long view of rural America? What causes the agency to believe that the public interest would be served by this transaction?

We are puzzled that the agency would rush through merger review in four months, when there may be evidence of market power abuses by the largest mobile phone companies, concerns that Verizon may not be a good actor on voice and data roaming, and questions about whether they are operating their wireless Internet services in a way that disadvantages smaller, innovative new services.

First, we fear that potentially parallel price increases on wireless services such as text messaging are not driven by changes in the cost of providing those services (in fact costs appear to be falling), but instead are simply the result of increase in market power. These questions regarding market power appear to be shared by Senator Kohl, the Chairman of the Senate Antitrust Subcommittee. In Senator Kohl's September 9, 2008 letter to the CEOs of all the major wireless companies, he noted his concerns about increased market power and asked them to explain why text messaging rates have doubled for all carriers in the last three years.

While the carriers were quick to point out in their responses to Senate Antitrust Chairman Kohl that many subscribers choose bundled text messaging plans, they cannot argue that the cost of data for text messages (even with the bundled plans) is several orders of magnitude more expensive than voice calling. Nor will they argue with the fact that Average Revenue Per Subscriber (ARPU) on text messaging services has greatly increased in this period. We contend these revenues are coming from, inter alia, text message

price increases. It is disturbing to us that these price increases seem to come in parallel, though perhaps to be expected in a market dominated by two enormous firms.

Second, our concern about roaming is that unlike Alltel (who as a rural company needs roaming from others), Verizon has no incentive to be reasonable with smaller carriers. Verizon's voluntary commitment to honor Alltel's roaming agreements for two years are worth little more than the paper they are written on—this merger will massively erode bargaining power for smaller wireless carriers, and may have multiplier effects on wireless consolidation. When this two year "grace period" is up, Verizon will have smaller carriers over a barrel.

In prior filings, we noted our concerns regarding how the "in-market" exception is being abused by the larger carriers to avoid entering into roaming agreements in many markets. If the agency does not fix this problem, not only will we lose competition as a direct result of this merger, we will see a cascading effect where smaller carriers simply cannot get the roaming they need, and their only path to survival is acquisition by one of the two dominant carriers.

Furthermore, while we have heard that it is difficult to get reasonable roaming agreements with Verizon on voice, it is all but impossible to get a reasonable roaming agreement from the company on data. Verizon will not provide roaming access to its EVDO network at all, limiting competitors to its slower data network, even though EVDO is cheaper for Verizon to operate. It seems that Verizon may do this to ensure other carriers provide an inferior customer experience. And even for its slower network, Verizon charges smaller carriers astronomical sums for access—an order of magnitude higher than Verizon charges for equivalent bandwidth with voice services.

We also wonder whether there is any truth to the rumors we have heard about properties to be divested, i.e. that the properties Verizon has volunteered to divest will be sold to AT&T—meaning that both the #1 and #2 players become more dominant as a result of this transaction. We believe it is essential that the FCC prevent this anti-competitive result for consumers.

Finally, we have noted our concerns elsewhere regarding the openness of Verizon's wireless network, especially for Internet services. The company pledged in November 2007 that it "will provide customers the option to use, on its nationwide wireless network, wireless devices, software and applications not offered by the company,"¹ and they promised it would be available throughout the country by the end of 2008. While there are still a few weeks in 2008 left on the clock, it seems likely the company will fall short on this promise. Surely the FCC would not allow this merger to proceed without addressing this critical concern.

For these and other reasons, we would ask that the agency deny the pending merger or impose appropriate conditions that prevent the most egregious violations of competition policy.

We would be pleased to answer any questions the FCC may have.

Sincerely,



Chris Murray, Senior Counsel
Consumers Union



Mark Cooper, Director of Research
Consumer Federation of America

¹ Verizon press release, 11/27/2007. "Verizon wireless to introduce 'any apps, any device' option for consumers in 2008."