

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

_____)
In re Applications of)
)
Centennial Communications Corp.,)
Transferor,)
)
and)
)
AT&T Inc.,)
Transferee,)
)
for Consent to the Transfer of Control of)
Commission Licenses and Authorizations)
Pursuant to Sections 214 and 310(d) of)
the Communications Act)
_____)

WT Docket No. 08-246

**RESPONSE OF AT&T INC. AND CENTENNIAL COMMUNICATIONS CORP.
TO GENERAL INFORMATION REQUEST DATED SEPTEMBER 22, 2009**

September 25, 2009

**RESPONSE OF AT&T INC. AND CENTENNIAL COMMUNICATIONS CORP.
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In response to a letter dated September 22, 2009, from Ruth Milkman, Chief of the Wireless Telecommunications Bureau, and the General Information Request attached thereto, AT&T Inc. ("AT&T") and Centennial Communications Corp. ("Centennial") (hereafter collectively referred to as the "Applicants" or "Parties") hereby provide (a) narrative answers to each request, (b) requested data, and (c) responsive documents. AT&T and Centennial are providing herein separate responses to Request II.6 as requested by the Commission.

The Parties' responses are based on a review of available documents reasonably likely to contain responsive information and inquiry of those individuals and available sources reasonably likely to have relevant information. AT&T and Centennial each have provided responsive, non-privileged information and documents.

Some of the narrative and attachments contain material that is extremely sensitive from a commercial, competitive, and financial perspective, and that AT&T and Centennial, respectively, would not, in the normal course of its business, reveal to the public or to its competitors. Where appropriate, therefore, such material is being submitted on a confidential basis pursuant to the *Protective Order*¹ in this proceeding. The confidential, unredacted submission is marked "*CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WT DOCKET NO. 08-246 before the Federal Communications Commission - COPYING PROHIBITED.*" A version redacting all

¹ *Applications of AT&T Inc. and Centennial Communications Corp. for Consent to Transfer Control of Licenses, Authorizations & Spectrum Leasing Arrangements, Protective Order, 24 FCC Rcd. 2900 (WTB 2009) ("Protective Order").*

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confidential information and available to the public is being filed electronically in the Commission's Electronic Comment Filing System.

Each of the Parties requests the return of all confidential material at the conclusion of this proceeding.

II. General Information and Data Request

1. *[Begin Confidential]*

[REDACTED]

[End Confidential]

RESPONSE:

[Begin Confidential]

[REDACTED]

[End Confidential]

2. Please provide AT&T's equity interest in América Móvil and in Telmex.

RESPONSE:

AT&T's Equity Interest in Teléfonos de México, S.A.B. de C.V.

AT&T currently holds approximately 1,799,500,000 Series AA shares in Teléfonos de México, S.A.B. de C.V. ("Telmex"), equal to approximately 9.75 percent of that company's total equity.²

AT&T's Equity Interest in AMX

AT&T currently holds approximately 2,869,000,000 Series AA shares in AMX, representing approximately 8.82 percent of that company's total equity.³

AT&T initially acquired an interest in AMX in September 2000, when the company was spun-off from Telmex. At that time, AT&T was issued a minority shareholding interest in AMX based upon its preexisting ownership interest in Telmex. AT&T's shareholding in AMX is subject to the same conditions as its ownership interest in Telmex. Pursuant to AMX's bylaws, Series AA shares may only be held by Mexican individuals and certain other Mexican institutions.⁴ In order to comply with those terms, AT&T placed all of its Series AA shares in an irrevocable trust and

² In addition to Series AA shares, Telmex has also issued Series A and Series L shares. Series AA and A shares are "full voting shares," whereas Series L shares are only entitled to vote on certain matters. As of May 13, 2009, AT&T held Series AA shares that represented approximately 21.1 percent of the total combined Series AA and Series A shares. See Telmex 2008 Form 20-F (May 29, 2009) at 58-59.

³ AMX has also issued Series A and Series L shares. Series AA and A shares are "full voting shares," whereas Series L shareholders are only entitled to vote on certain matters. As of April 30, 2009, AT&T held AA shares that represented approximately 23.4 percent of the total combined Series AA and Series A shares. See AMX 2008 Form 20-F (June 30, 2009) at 88-89.

⁴ An English language translation of AMX's bylaws was provided in prior responses. See Response to AT&T Inc. and Centennial Communications Corp. to General Information Request Dated April 30, 2009 at Attachment IV.1.4 (filed May 28, 2009).

directed the trustee to vote those shares in accordance with Carso Global on all matters except for the appointment of AMX's Board of Directors and Executive Committee.⁵

The Slim family and the Control Trust, a Mexican trust that holds Series AA and Series L shares for which the Slim family are beneficiaries, together hold a majority of the Series AA shares and are entitled to appoint a majority of the members of the AMX Board, which has broad authority to manage the company. The Board also appoints the Chief Executive Officer, who is responsible for the day-to-day management of the company.

⁵ An English language translation of the AMX Trust Agreement was provided in prior responses. *See* Response to AT&T Inc. and Centennial Communications Corp. to General Information Request Dated April 30, 2009 at Attachment IV.1.5 (filed May 28, 2009).

3. Applicants' Response to Information Request III.5 states that "[t]he integration planning process is in its preliminary stages, and there are numerous contingencies that could affect any network integration schedule." Further, Applicants' Response to Information Request III.9 states that "AT&T will be engaged in various activities to improve reception, signal quality, and spectral efficiency in areas where it has overlapping and complementary networks and spectrum with Centennial." Please provide additional detail on whether the handsets of Centennial's customers will function on AT&T's GSM network in the continental United States immediately following the transaction, as well as at each stage of the transition of integrating the AT&T and Centennial networks. Will Centennial's customers be required to obtain new handsets or Subscriber Information Module ("SIM") cards? If Centennial's customers will require either new handsets or SIM cards, will these be provided either free of charge or at a significantly reduced price? If new handsets will need to be provided, please detail the exchange process including the type of handset offerings and prices for these handsets. Please provide additional detail on AT&T's integration planning process and its impact on existing Centennial customers in the continental United States.

RESPONSE:

AT&T's goal is to retain as many Centennial customers as possible by providing them with improved service, a broader portfolio of handsets to choose from and a better overall customer experience. While AT&T does not yet own Centennial and, consequently, integration planning is not yet complete, AT&T has focused its planning on ensuring a smooth transition for Centennial customers to induce them to remain customers of AT&T. Because AT&T is acquiring the entire Centennial business (except for assets that will be sold), including the core network infrastructure, billing and activation systems, retail distribution network and other assets, and operates on the same GSM/EDGE technology, at closing it will have the ability to maintain pre-merger Centennial services and rate plans and provide Centennial customers with continuity of service. Thus, AT&T currently anticipates that any current Centennial customer in the continental U.S. that wishes to do so will be able to continue to use his or her existing wireless device throughout the transition of integrating the AT&T and Centennial

networks. Former Centennial customers may want to switch to AT&T devices and rate plans to obtain the additional benefits available from AT&T service. In the event that AT&T's plans change in the future so that former Centennial customers with unexpired contract terms will no longer be able to use their legacy Centennial devices, AT&T will provide those customers with timely advance notice of such changes. In such event, AT&T anticipates that it would offer those customers replacement handsets either for free or at significantly reduced prices, in order to induce them to remain as AT&T customers. Because AT&T has no current plans to take such steps, it has not determined the precise handset offerings that would be made or the details of the exchange process. Any such process would be fully and fairly disclosed to customers.

As the integration proceeds, Centennial customers will have the opportunity to choose the AT&T rate plan and device of their choosing from among the wide variety of rate plans, features and devices offered by AT&T. AT&T will offer them the ability to upgrade to an AT&T handset immediately, without any early termination fees under their existing contracts. And activation fees and credit checks will be waived for postpaid customers.

AT&T is continuing to work on its integration planning, and its plans remain subject to change as it learns more about the Centennial network, systems and customer base and as the competitive landscape continue to evolve. AT&T's goal is to provide Centennial customers the smoothest and most seamless transition possible, and to induce as many as possible to remain customers of AT&T.

4. **The Rural Cellular Association and Cincinnati Bell propose that the Commission adopt conditions on roaming in this transaction that are similar to the ones that the Commission imposed in the Verizon-ALLTEL transaction. Please explain whether the roaming conditions in the Verizon-ALLTEL Order are or are not appropriate for the AT&T/Centennial transaction. Please prepare separate responses for the continental U.S. and for Puerto Rico and the U.S. Virgin Islands.**

RESPONSE:

Consistent with its prior decisions, including the *Verizon-ALLTEL Order*,⁶ the Commission should decline to impose any roaming conditions on the AT&T-Centennial merger. The Commission repeatedly has found that “competition in the retail market is sufficient to protect consumers against potential harm arising from intercarrier roaming arrangements and practices.”⁷ Accordingly, so long as the retail market remains

⁶ *In re Applications of Cellco P’ship d/b/a Verizon Wireless & Atlantis Holdings LLC for Consent to Transfer Control of Licenses, Authorizations & Spectrum Manager & De Facto Transfer Leasing Arrangements & Petition for Declaratory Ruling that the Transaction is Consistent with Section 310(b)(4) of the Commc’ns Act*, Memorandum Opinion and Order and Declaratory Ruling, 23 FCC Red. 17,444 (2008) (“*Verizon-ALLTEL Order*”).

⁷ *See, e.g., In re Sprint-Nextel Corp. and Clearwire Corp. Application for Consent to Transfer Control of Licenses, Leases, and Authorization*, Memorandum Opinion and Order, 23 FCC Red. 17,570, 17,606, ¶ 91 (2008); *In re Applications of Cellco P’ship d/b/a Verizon Wireless and Rural Cellular Corp. for Consent to Transfer Control of Licenses, Authorizations, and Spectrum Manager Leases and Petitions for Declaratory Ruling that the Transaction Is Consistent with Section 310(b)(4) of the Commc’ns Act*, Memorandum Opinion and Order and Declaratory Ruling, 23 FCC Red. 12,463, 12,503 ¶ 88 (2008); *In re Applications of AT&T Inc. and Dobson Commc’ns Corp. for Consent to Transfer Control of Licenses and Authorizations*, Memorandum Opinion and Order, 22 FCC Red. 20,295, 20,327, ¶ 65 (2007); *In re Reexamination of Roaming Obligations of Commercial Mobile Radio Serv. Providers*, Report and Order and Further Notice of Proposed Rulemaking, 22 FCC Red. 15,817, 15,822, ¶ 13 (2007) (“*Roaming Order*”); *In re Applications of Guam Cellular & Paging, Inc. & DoCoMo Guam Holdings, Inc. & Applications of Guam Cellular & Paging Inc. & Guam Wireless Telephone Co., L.L.C.*, Memorandum Opinion and Order and Declaratory Ruling, 21 FCC Red. 13,580, 13,602, ¶ 36 (2006); *see also In re Applications of AT&T Wireless Servs., Inc. and Cingular Wireless Corp. for Consent to Transfer Control of Licenses and Authorizations*, Memorandum Opinion and Order, 19 FCC Red. 21,522, 21,591 ¶ 180 (2004).

competitive after a transaction, roaming conditions are not appropriate. Thus, in the Sprint-Clearwire, Verizon-RCC, AT&T-Dobson, DoCoMo-Guam Cellular and Cingular-AT&T Wireless transactions, the Commission declined to impose roaming conditions because those transactions, with any required divestitures, did not disturb the competitive retail market. The AT&T-Centennial merger falls squarely in this same category, and thus the Commission should not impose any roaming conditions here.

Even in the *Verizon-ALLTEL Order*, in which roaming conditions were imposed, the Commission restated its support for its traditional analytical framework: “We note that our conclusion here is consistent with the Commission’s prior findings that competition in the retail market is sufficient to protect consumers against potential harm arising from intercarrier roaming arrangements and practices.”⁸ Unlike all of the other recent wireless transactions, however, the unique circumstances of the Verizon-ALLTEL transaction raised the potential that reduced roaming opportunities could pose a threat to competition in the retail market. In the thinly populated areas that ALLTEL predominantly served, regional, small and rural carriers were significant competitors, and national carriers often had little or no presence.⁹ Many of these regional, small and rural carriers were heavily dependent on ALLTEL for roaming services: ALLTEL operated both CDMA and GSM networks that provided roaming services,¹⁰ and

⁸ *Verizon-ALLTEL Order*, 23 FCC Red. at 17,525, ¶ 179.

⁹ *Id.* at 17,502, ¶ 128.

¹⁰ ALLTEL offered CDMA roaming services in more than 1,600 of the 3,000 counties in the United States, and GSM roaming services in nearly 600 counties. *In re Applications of Cellco P’ship d/b/a Verizon Wireless & Atlantis Holdings LLC for Consent to Transfer Control of Licenses, Authorizations & Spectrum Manager & De Facto Transfer Leasing Arrangements & Petition for Declaratory Ruling that the Transaction is*

Footnote continued on next page

ALLTEL and its predecessors had made the provision of roaming services a major focus of their business.¹¹ Indeed, in a number of areas, ALLTEL operated the only GSM network,¹² and the carrier that was acquiring ALLTEL, Verizon, operated a CDMA network and had a history of converting acquired GSM properties to CDMA technology. Moreover, ALLTEL's 34-state network covered more than half the geographic area of the 48 contiguous states,¹³ making ALLTEL's network the broadest of any wireless carrier,¹⁴ and rural, small and regional carriers may have been challenged to replicate in the near term the coverage they obtained through their roaming arrangements with ALLTEL. The Commission thus conditioned its approval of the Verizon-ALLTEL merger on certain roaming commitments of a limited duration that Verizon made to

Footnote continued from previous page

Consistent with Section 310(b)(4) of the Commc'ns Act, WT Dkt No. 08-95, Reply Declaration of Dennis Carlton et al., ¶ 57 (filed Aug. 19, 2008).

¹¹ See *In re Applications of Cellco P'ship d/b/a Verizon Wireless & Atlantis Holdings LLC for Consent to Transfer Control of Licenses, Authorizations & Spectrum Manager & De Facto Transfer Leasing Arrangements & Petition for Declaratory Ruling that the Transaction is Consistent with Section 310(b)(4) of the Commc'ns Act*, WT Dkt No. 08-95, Petition of MetroPCS Communications, Inc. and NTELOS Inc. to *Condition Consent or Deny Application* at 6-7 (filed Aug. 11, 2008) (discussing ALLTEL's importance as a roaming partner to rural and regional carriers); *Petition to Deny of Roaming Petitioners* at 2 (filed Aug. 11, 2008) ("ALLTEL is a major supplier of both CDMA and GSM roaming"); see also *Verizon-ALLTEL Order*, 23 FCC Rcd. at 17,501, ¶ 127 (rural carriers asking the Commission to require Verizon to maintain the GSM network for roaming purposes).

¹² *Verizon-ALLTEL Order*, 23 FCC Rcd. at 17,524, ¶ 176.

¹³ *Id.* at 17,450, ¶ 9.

¹⁴ ALLTEL Corp., Annual Report (Form 10-K), at 2 (Mar. 20, 2008) ("ALLTEL is the owner of the nation's largest wireless network measured by square miles of coverage.").

assure that customers of regional, small and rural carriers continued to have the ability to roam and to preserve the competitive position of those carriers.¹⁵

The circumstances in the AT&T-Centennial transaction could not be more different. Centennial's licensed service area is far smaller than ALLTEL's, covering only about two percent of the geographic area of the 48 contiguous states, or about 1/25th the area that ALLTEL covered.¹⁶ Centennial's licensed service area is also much more densely populated than ALLTEL's, with over 105 persons per square mile compared with ALLTEL's population density of approximately 47 persons per square mile. Centennial's more compact and denser licensed service area is almost ubiquitously served by national carriers, which are Centennial's principal competitors and which are potential alternative roaming partners for smaller carriers. Furthermore, many of the regional, small and rural carriers that operate in Centennial's service area — for example, U.S. Cellular, Revol Wireless, Leap, Cellular South, and Vitelco — do not use the same technology as Centennial and thus do not roam with Centennial.¹⁷ Perhaps most importantly, Centennial sells more than *[Begin Confidential] [End Confidential]*

¹⁵ See *In re Applications of Cellco P'ship d/b/a Verizon Wireless & Atlantis Holdings LLC for Consent to Transfer Control of Licenses, Authorizations & Spectrum Manager & De Facto Transfer Leasing Arrangements & Petition for Declaratory Ruling that the Transaction is Consistent with Section 310(b)(4) of the Commc'ns Act*, WT Dkt No. 08-95, Letter from John T. Scott, Vice President and Deputy General Counsel, Verizon Wireless, to Marlene H. Dortch, Secretary, FCC (filed July 22, 2008); Letter from John T. Scott, Vice President and Deputy General Counsel, Verizon Wireless, to Marlene H. Dortch, Secretary, FCC at 2 (filed Nov. 3, 2008).

¹⁶ *Compare* Description of the Transaction, Public Interest Showing and Related Demonstrations at 1 (filed Nov. 21, 2008) (stating Centennial's service area covers only parts of six states and nine million people in addition to Puerto Rico and the U.S. Virgin Islands) *with Verizon-ALLTEL Order*, 23 FCC Rcd. at 17,450, ¶ 9 (stating that ALLTEL's network covers 34 states and nearly 76 million POPs).

¹⁷ Other regional, small or rural carriers — for example, Pace Cellular — operate exclusively in the portions of Centennial's service area that will be sold.

percent of the roaming services it provides in the U.S. mainland to *[Begin Confidential]*
[REDACTED] *[End Confidential]*,¹⁸ and more than *[Begin Confidential]*
[End Confidential] percent of the roaming services it provides in Puerto Rico and the
U.S. Virgin Islands to *[Begin Confidential]* *[End Confidential]*.¹⁹ Indeed,
Centennial's largest roaming customer that is a regional, small or rural carrier, *[Begin*
Confidential] *[REDACTED]* *[End Confidential]* purchased only about *[Begin*
Confidential] *[End Confidential]* of roaming services from Centennial in the
most recent fiscal year.²⁰ The provision of roaming services is a small part of
Centennial's business, accounting for less than seven percent of its revenues.

The absence here of the unique factual circumstances that caused the
Commission to adopt roaming conditions in the *Verizon-ALLTEL Order* becomes even
more evident through a granular analysis of Centennial's service areas. In the U.S.
mainland, where Centennial operates a 2G/2.5G GSM/EDGE network, and where AT&T
and T-Mobile also both operate GSM networks throughout most of Centennial's territory,

¹⁸ See Attachment II.4 (data roaming revenues included).

¹⁹ See Attachment II.5 (data roaming revenues included).

²⁰ Cincinnati Bell and the Rural Cellular Association are using the instant proceeding to attempt to achieve an unwarranted and huge windfall: the extension of roaming privileges it now enjoys over Centennial's limited footprint of 13 million POPs and 80,000 square miles throughout the entire post-merger AT&T territory. See Petition of Cincinnati Bell Wireless LLC to Condition Consent or Deny Application at 3 (filed Jan. 15, 2009); Comments of the Rural Cellular Association at 6-7 (filed Jan. 15, 2009). These parties seek roaming terms through Commission-imposed conditions that they would not be able to obtain in a normal business negotiation. Notably, these parties have not suggested that AT&T and Centennial would be similarly situated in negotiating roaming agreements with them; nor could they, since the roaming relationships they have with AT&T and Centennial are clearly different and distinct and justify potentially disparate terms and conditions. AT&T should not be required to extend the best of either Centennial's or AT&T's rates to these parties throughout AT&T's territory merely because of the merger.

there appears to be only one CMA in which AT&T will be retaining Centennial's operations where a GSM-based regional, small or rural carrier is a facilities-based competitor. This is Indiana RSA No. 6--Randolph (CMA408), where Cincinnati Bell is one of six current facilities-based competitors. The abundance of other competitors in CMA408 would prevent any harm to retail competition in CMA408 and thus make any roaming conditions inappropriate under the Commission's precedents. Moreover, AT&T predominantly relies on GSM technology in its network, so there is no danger, unlike in the Verizon-ALLTEL transaction, that AT&T will abandon GSM and leave Cincinnati Bell unable to provide its customers in CMA408 with GSM roaming.

In Puerto Rico, where Centennial uses CDMA technology, there are two other facilities-based regional, small or rural carriers that use CDMA technology — Claro and OpenMobile. Neither purchases roaming services from Centennial and both have well-developed networks. Moreover, there is a third CDMA network in Puerto Rico, operated by Sprint. In the Virgin Islands, where Centennial also uses CDMA technology, and where Sprint also operates a CDMA network, there is no regional, small or rural facilities-based carrier that uses CDMA technology, and thus no conceivable competitive harm from any potential reduction of roaming opportunities.

Under current Commission precedent, then, it is clear that no roaming conditions should be imposed in this transaction. The retail wireless market will remain highly competitive in the service areas affected by this transaction, and roaming conditions of the sort imposed in the *Verizon-ALLTEL Order* for the benefit of rural, small and regional carriers would have little effect on the state of competition in those service areas due to the dramatically different geographic, technologic and competitive profiles of the

Centennial and ALLTEL service areas.²¹ This transaction bears far more resemblance to recent wireless transactions, such as Verizon-RCC and AT&T-Dobson, in which the potential loss of a roaming partner did not warrant imposition of roaming conditions, than to Verizon-ALLTEL.

5. Centennial has deployed a 2G GSM network in the continental U.S. and a 3G CDMA network in Puerto Rico and the U.S. Virgin Islands. For what services does Centennial providing roaming in the continental U.S.? For what services does Centennial provide roaming in Puerto Rico and the U.S. Virgin Islands? Which carriers roam on Centennial's 3G CDMA network in Puerto Rico and the U.S. Virgin Islands and what percent of Centennial's roaming traffic in terms of both minutes and revenues does each roaming partner account for? Please provide separate answers for Puerto Rico and for the U.S. Virgin Islands.

CENTENNIAL RESPONSE:

Centennial currently provides voice and data roaming in (i) the continental U.S., (ii) Puerto Rico and (iii) the U.S. Virgin Islands. With respect to Puerto Rico and the U.S. Virgin Islands, *[Begin Confidential]* [REDACTED]

[End Confidential] The attached Attachment IL5 lists Centennial's top roaming customers in Puerto Rico and the U.S. Virgin Islands (combined) as measured by minutes and revenues (data roaming revenues included). *[Begin Confidential]*

[REDACTED]

²¹ To the extent that the Commission wants to consider roaming terms and conditions – such as automatic data, 3G roaming, and interoperability – it should do so not in the context of this merger proceeding but rather in its ongoing roaming proceeding. See *Roaming Order*, 22 FCC Red. at 15,818, ¶ 1. The long-running dispute among Verizon, Leap and others about the meaning of the roaming conditions imposed in the *Verizon-ALLTEL Order* illustrates the perils of conditioning mergers on the imposition of Commission-prescribed roaming terms.

[REDACTED]

[End Confidential]

6. For each of AT&T and Centennial, please describe how your company sets wireless prices in Puerto Rico. Please explain how prices of mobile telephony/broadband services in Puerto Rico have changed since January 1, 2008 (i.e., have new pricing plans been introduced or have new services been introduced.). Since January 1, 2008, has your company changed prices, introduced new pricing plans, or introduced new service offerings in Puerto Rico in response to changes to a competitor's offerings? Please indicate what was changed, why, and to which competitor the change was in response. Since January 1, 2008, what were the major promotional plans offered by your competitors in Puerto Rico? Please describe these promotional plans and also describe your company's response to these promotional plans. Since January 1, 2008, have you seen an erosion, either of a short-term or long-term nature, of your company's market share due to the introduction of new pricing plans or services by your competitor or because of promotions offered by other mobile wireless providers in Puerto Rico? Please respond individually to these questions and do not submit a joint response.

As requested, the Parties are separately responding to Request II.6.

AT&T RESPONSE:

AT&T sets wireless prices in Puerto Rico in response to competitive dynamics and overall market conditions.²² Competition throughout Puerto Rico is extraordinarily intense, and has become even more so over the last few years. Six wireless carriers – AT&T, Centennial, T-Mobile, Sprint, Claro and OpenMobile – currently provide facilities-based services throughout Puerto Rico, and each has broad coverage, ample spectrum and a widespread retail distribution. In particular, the San Juan CMA is one

²² For wireless broadband services, AT&T follows its *[Begin Confidential]*
[End Confidential].

of the 25 most populated as well as most densely populated in the United States.²³ The parties believe that competition there is at least as vigorous as, if not more vigorous than, competition in any of the other top 25 CMAs in the country, which are recognized as areas of vibrant competition.

Competition in Puerto Rico has intensified further with the entry and emergence of additional focused and well-funded providers in Claro, T-Mobile and OpenMobile. After its entry, AMX made its Puerto Rico wireless business, which is branded "Claro," more competitive than Verizon had been, and it continues to be one of the most aggressive carriers in Puerto Rico today. For example, after acquiring the Puerto Rico business at the end of March 2007, Claro immediately introduced a \$100 customer rebate for new customers. Two months later, in May 2007, Claro announced that it would match the All You Can Eat ("AYCE") plan previously introduced by OpenMobile and others, which Verizon had not done. Claro has since continued to introduce lower pricing plans in Puerto Rico:

- In November 2007, Claro introduced two postpaid plans at \$19.99 and \$29.99 and a new AYCE prepaid offer at \$39.99. Both the \$19.99/\$29.99 postpaid plans offered unlimited minutes to any Puerto Rico Telephone Company, Inc. landline and free mobile-to-mobile minutes to Claro subscribers.²⁴
- In February 2008, Claro introduced a \$34.99 Family Talk AYCE plan including two lines with unlimited minutes in Puerto Rico, long distance calls to the mainland U.S. and text messaging.

²³ See FCC, Maps: CMA 1990-2000 Census Data, <http://wireless.fcc.gov/auctions/default.htm?job=maps> (last visited Sept. 25, 2009) (indicating that CMA 091-San Juan-Caguas, PR is the 21st largest CMA by population as of the 2000 census).

²⁴ Puerto Rico Telephone Company, Inc. is the ILEC and, like Claro, is owned by AMX.

- In November 2008, Claro lowered its postpaid AYCE plan to \$39.99 and added the option of including unlimited minutes for calls within Puerto Rico.
- In June 2009, Claro launched an unlimited local, long distance and roaming plan for \$39.99. On September 24, 2009, Claro announced that, starting on September 30, 2009, the \$39.99 plan would include free roaming and text messaging. And Claro is far and away the leader in Puerto Rico in variety of free handset offerings.

Similarly, T-Mobile and OpenMobile also have introduced aggressive pricing plans in Puerto Rico and demonstrated their ability to gain market share.

- T-Mobile entered in February 2008 through its acquisition of SunCom, and launched aggressively priced plans such as the \$39.99 AYCE plan, which it introduced in September 2008. As a result, T-Mobile consistently has gained subscribers in Puerto Rico, and is now the third largest carrier on the island. Indeed, a recent article published in *El Nuevo Dia*, the largest local newspaper in Puerto Rico, reported that T-Mobile had grown by 40 percent since acquiring SunCom.²⁵
- OpenMobile also has been growing rapidly and offers popular unlimited plans similar to those sold on the mainland by MetroPCS, with which it has common investors. Beginning in November 2008, OpenMobile also has offered promotions with free handsets to prepaid customers without a contract commitment.

In response to these competitive offerings, AT&T has lowered its prices and introduced new plans. After Claro launched its AYCE plan in Puerto Rico, AT&T initially responded by launching a Family Talk Big Bucket Plan in July 2007 and a Standalone Big Bucket Plan in August 2007. In November 2007, AT&T introduced its own AYCE plan and matched Claro's plan. Importantly, this was the first time ever, anywhere, that AT&T Mobility offered an AYCE plan.

In March 2008, AT&T launched a new free incoming \$29.99 rate plan with 350 anytime minutes and unlimited mobile-to-mobile minutes, unlimited night and

²⁵ See *Contrataca T-Mobile*, *El Nuevo Dia*, July 9th, 2009, enclosed as Attachment II.6.

weekend minutes, rollover and long distance discounting the monthly recurring charge (“MRC”) by \$10 for three months. In April 2008, AT&T launched a \$44.99 AYCE Family Talk Plan, and in May 2008, AT&T added data to its AYCE plan. In April 2009, AT&T launched its iPhone local plans starting at \$49.99. In May 2009, AT&T launched a new free incoming rate plan of \$39.99 with 600 anytime minutes and unlimited mobile-to-mobile, unlimited night and weekend minutes, rollover and long distance offering a discount of \$10 per month off the MRC for three months.

[Begin Confidential]

[REDACTED]

[End Confidential]

CENTENNIAL RESPONSE:

Extensive Competition for Wireless Services Exists in Puerto Rico. Competition is extremely fierce for mobile telephony/broadband services in Puerto Rico with six facilities-based providers²⁶ as well as resellers and MVNOs competing aggressively throughout the island. All six carriers have substantial coverage throughout Puerto Rico – the island’s small size (100 miles by 35 miles) makes it easy for all carriers to have largely similar coverage, which contributes to the intensity of the competition there. In addition, efficient local media buying allows the six competitors to target the local

²⁶ In addition to Centennial and AT&T, Sprint, T-Mobile, Claro (a subsidiary of AMX) and OpenMobile provide service in Puerto Rico. In addition, Clearwire, which owns a significant amount of 2.5 GHz spectrum in Puerto Rico, has applied for federal broadband stimulus funds to deploy a WiMAX network in Puerto Rico, and each of the three cable operators has expressed an interest in adding a mobile product to their existing services.

population directly with significant TV, radio and print advertising. All six carriers in Puerto Rico offer unlimited rate plans, and these rate plans were introduced in Puerto Rico prior to being introduced in the continental U.S. While for FCC licensing purposes there are several different CMAs in Puerto Rico, Centennial believes that rate plans and competition are consistent island-wide.

Competition in Puerto Rico Has Intensified Since January 2008. Competition for wireless services in Puerto Rico historically has been extremely heavy, and this level of competition has intensified significantly since January 2008. This change stems from several major developments that occurred around that time:

- In March 2007, AMX acquired Verizon's Puerto Rico business. AMX quickly launched its Claro brand throughout the island in the middle of 2007 and has been very aggressive.
- In December 2006, Movistar (the predecessor to OpenMobile) filed for bankruptcy and subsequently was sold in March 2007 to the U.S.-based private equity firms M/C Venture Partners and Columbia Capital (leading investors in MetroPCS). Prior to the sale, with limited financial resources, Movistar was a struggling operator. Movistar was relaunched as OpenMobile in June 2007.
- In February 2008, SunCom's Puerto Rico wireless operations were sold to T-Mobile. Prior to the sale, SunCom was undergoing a financial restructuring that placed limitations on its ability to compete effectively. SunCom's operations in Puerto Rico were rebranded as T-Mobile in September 2008.

AMX's entry into Puerto Rico brought a focused competitor with significant resources and international experience. AMX both expanded its network and overlaid GSM/UMTS technology on its existing CDMA/EVDO network. It has greatly increased the range of handsets available and has expanded its postpaid, prepaid and no-contract rate plans. Centennial believes that AMX has been a more aggressive competitor than Verizon was. In the cases of OpenMobile and T-Mobile, new, better-funded competitors replaced existing players that were either in bankruptcy or in the process of restructuring,

enabling the companies to compete aggressively for subscribers and to leverage greater resources to promote and brand their services. In addition, OpenMobile completely replaced and upgraded its network and roughly doubled its coverage, while bringing an aggressive “no-contract” business model to Puerto Rico for the first time (similar to MetroPCS in the mainland United States). T-Mobile brought its strengths and well-known brand to the market and has been very aggressive in its pricing and promotional strategies since its launch.

Centennial's Pricing Strategy. [Begin Confidential]

[REDACTED]

[End Confidential] As of January 2008, Centennial offered unlimited rate plans beginning at \$49.99 per month. In June 2008, the Company updated its rate plans and introduced a range of unlimited rate plans from \$39.99 to \$89.99 per month, adding in services such as long distance, roaming and data at increasing price points. *[Begin Confidential]*

[REDACTED]

[End Confidential] The addition of a \$39.99 rate plan was new for Centennial and addressed the fact that it was the only competitor in the market without a rate plan at this price point. From the consumer perspective, a Centennial subscriber receives more services for less money today than it did in January 2008.

Competitive Pricing and Promotional Activity Since January 2008. Each of Centennial's competitors in Puerto Rico has used numerous promotional offers to attract customers over the time period since January 2008. These have included such strategies as introducing lower-priced rate plans, offering low introductory rates for new customers, low or free rates for additional lines, lowering or waiving fees for handsets or activation, giving monetary credit to customers that port in from another provider and increasingly bundling more services into a given price point. During this time period, pricing for wireless services in Puerto Rico generally has fallen through a combination of providers pricing a fixed set of services at a lower level and the continual addition of more services into an existing, usually unlimited, price point such that a customer receives more service for less money.

Competition to provide wireless services in Puerto Rico is dynamic and rapidly changing. Carriers modify rate plans continually and often run periodic promotions. The table below seeks to summarize the major promotional rate plans offered by Centennial and its competitors in Puerto Rico since January 2008. Some of the competitive promotions that have had the most impact have included:

(a) T-Mobile's launch of a \$39.99 rate plan including unlimited local, long distance and roaming in September 2008, (b) Claro's launch of a similar rate plan in June 2009 and (c) OpenMobile's continued emphasis of its "no-contract" plans and its ongoing efforts aimed at subscriber acquisition/market share growth by offering either free phones with no contract or up to \$300 for customers that port their numbers to OpenMobile.

Selected Examples of Major Promotional Plans

| Approx. Month | AT&T | Centennial | Claro | OpenMobile | Sprint | T-Mobile |
|-----------------|--|---|---|---|--|---|
| As of Jan. '08 | Range of rate plans with intermittent promotions at various price points and on handsets | Unlimited plan at \$49.99 (local and LD) | Heavily promoted \$19.99 / \$29.99 limited plans and \$39.99 unlimited (local and LD). Handset promotions coinciding with GSM launch and began credits for port-in customers | Unlimited no-contract plans beginning at \$35 | National plans - unlimited voice at \$49.99 and data at \$99.99. Various handset promotions. | Still SunCom - \$39.99 unlimited local voice plan with promotions at \$29.99 |
| Jun. '08 | | Launched series of unlimited plans from \$39.99 – 89.99 | Launched subsidized no contract and prepaid offers | Launched first port-in credit promotion | | |
| Sept. '08 | | | | | | T-Mobile launch - \$39.99 unlimited plan with local, LD and roaming. Heavy promotion. |
| Jan. '09 | | Added LD to \$39.99 | \$19.99 promotional plan | | | |
| Feb. - Mar. '09 | | | Added a bucket of LD or roaming to \$39.99 plan and advertised as all inclusive (with fine print) | Free phone (no contract) promotion | | |
| May '09 | | | | Port-in credit promotion | | Removed roaming from \$39.99 plan (adds to \$49.99) |
| Jun. '09 | | Introduced enhanced bundling discounts | Added roaming and LD to \$39.99 | Free phone (no contract) promotion | | |

Centennial's Market Position. Centennial's subscriber count has been relatively flat over the period from January 2008 to the present. Centennial had *[Begin Confidential]* [REDACTED] *[End Confidential]* wireless subscribers in Puerto Rico in January 2008 and *[Begin Confidential]* [REDACTED] *[End Confidential]* in August 2009. Centennial believes that the overall number of wireless customers in Puerto Rico has increased over this time period *[Begin Confidential]*

[REDACTED]

[End Confidential]

7. *[Begin Confidential]*

[REDACTED]

[End Confidential]

RESPONSE:

[Begin Confidential]

[REDACTED]

REDACTED - FOR PUBLIC INSPECTION

[REDACTED]

[REDACTED]

[End

Confidential]

III. Questions concerning that certain Management Services Agreement, dated February 27, 2002, by and between AT&T Mexico, Inc. (formerly SBC International Management Services, Inc.) (“AT&T Mexico”) and América Móvil S.A. de C.V. (formerly Radiomóvil Dipsa S.A. de C.V.) (“América Móvil”) and all amendments thereto (together, the “Agreement”). Unless otherwise stated, capitalized terms herein shall have the same meaning as such terms have in the Agreement.

1. What is the geographic extent of the Agreement? Please specify all countries, territories or other geographic regions covered by the Agreement.

RESPONSE:

Section 2 of the Second Amendment to the Management Services Agreement (“MSA”) defines the geographic scope of the Agreement as “Authorized Countries”:

Mexico, Guatemala, Nicaragua, El Salvador, Ecuador, Colombia, Brazil and Argentina.²⁷ *[Begin Confidential]*

[REDACTED]

[End Confidential]

2. Please specify the América Móvil Subsidiaries that are covered by the Agreement.

RESPONSE:

Pursuant to Section 2 of the Second Amendment to the MSA, the MSA covers all AMX subsidiaries who operate in the "Authorized Countries" (as defined in the Agreement), and in which AMX directly or indirectly owns 50 percent or more of the capital stock, or where AMX directly or indirectly has voting control in a shareholders meeting. *[Begin Confidential]*

[REDACTED]

[End Confidential]

3. Please state, with full and precise particularity, the nature and extent of the Services provided under Clause First 1-8 and to which entity within the América Móvil group of companies they are provided.

RESPONSE:

Clause First of the Agreement identifies the general scope and direction of the services to be provided under the MSA. Clause First 1-8 of the MSA refers to "counseling regarding reorganization, modernization and restructuring of Telcel." Under

²⁷ See Section 2 of the Second Amendment to the Management Services Agreement dated October 29, 2003.

the Second Amendment to the MSA, Telcel transferred its rights under the MSA to AMX. While AT&T has neither offered services under the MSA in express reference to any specific sub-section of Clause First of the MSA, nor attempted to catalogue such services as such, AT&T has assisted AMX's wireless operations in their reorganization, modernization and restructuring efforts.

[Begin Confidential]

[REDACTED]

[End

Confidential]

- 4. Please provide the following detail for any services provided pursuant to the Agreement that relate specifically to Puerto Rico or the U.S. Virgin Islands, including: the name, title, principal place of business, length of employment, duties and responsibilities, number and frequency of contact, for any AT&T personnel offering any management, consulting or technical services to América Móvil or any of its Subsidiaries.**

RESPONSE:

AT&T has not identified any situations in which it provided such services under the MSA in the U.S. Virgin Islands. Since AMX acquired Telecomunicaciones de Puerto Rico in March 2007, AT&T has provided services to AMX relating to Puerto Rico in only a few circumstances. Based on available documents and inquiry of those

individuals reasonably likely to have relevant information, those services are the ones described in a prior response,²⁸ and below:

- *[Begin Confidential]*

[REDACTED]

[End Confidential]

- *[Begin Confidential]*

[REDACTED]

[End Confidential]

- *[Begin Confidential]*

[REDACTED]

[End Confidential]

²⁸ See Response to AT&T Inc. and Centennial Communications Corp. to General Information Request Dated April 30, 2009 at 70 (filed May 28, 2009).

5. Please state the name and position of all employees of AT&T, or any of its subsidiaries or affiliates, who have been or who are currently located in an office of América Móvil or one of its Subsidiaries or who are on loan or secondment to América Móvil or its Subsidiaries and whose activities relate specifically to services and operations provided in Puerto Rico or the U.S. Virgin Islands. In addition, with respect to each individual identified, please state the length of time that such person has been on such loan or secondment and how long it is expected to continue.

RESPONSE:

[Begin Confidential]

[REDACTED]

[End Confidential]

6. Please specify, with full and precise particularity, the nature and categories of documents that are produced and exchanged under the Agreement. Please also state who produces each category of document and the recipient of such documents.

RESPONSE:

The MSA does not require the production or exchange of specific documents between AT&T and AMX. To the extent that documents are exchanged between AMX and AT&T employees in connection with services rendered under the MSA, these are ordinary-course-of-business documents from employees to communicate with each other in performing the services rendered and received under the MSA. For example,

[Begin Confidential]

[REDACTED]

[End Confidential]

7. Provide the total amount AT&T has been paid pursuant to the Agreement from the inception of the agreement, broken down on an annual basis.

RESPONSE:

The table below identifies the total amount paid by AMX under the MSA through August 2009.

| Year | Amount Paid to AT&T* |
|-------------|---------------------------------|
| 2002 | \$1 million |
| 2003 | \$1 million |
| 2004 | \$1 million |
| 2005 | \$1 million |
| 2006 | \$1 million |
| 2007 | \$7.5 million |
| 2008 | \$7.5 million |
| 2009 | \$5 million through August |

* Excluding Value Added Tax

- 8. Please explain the increase in consideration contained in the Sixth Amendment to the Agreement, dated February 1, 2007. If additional services were provided, please specify the nature and extent of such services.**

RESPONSE:

The increase in consideration contained in the Sixth Amendment to the MSA aimed to adjust for the value of services rendered by AT&T to AMX. Historically, the services rendered under the Telmex MSA had focused on fixed line services rather than wireless services. As wireless communications became more significant in Mexico, and as AMX grew rapidly outside of Mexico, AT&T Mexico devoted more resources to assisting AMX. As a result, the consideration of \$1 million per year no longer reflected the appropriate value of services rendered by AT&T. Therefore, the parties agreed to increase the consideration to \$7.5 million a year, which remains the consideration provided for 2009.

- 9. Please state whether any services, other than those set forth in Clause First 1-8, have been provided to América Móvil and, if so, provide a copy of the "terms and conditions" upon which they were provided.**

RESPONSE:

Based on available documents and inquiry of those individuals reasonably likely to have relevant information, AT&T has not identified other services provided by AT&T to AMX under the MSA other than those set forth in Clause First 1-8 of the MSA. To the extent AT&T has provided services to AMX under arm's-length agreements not related to the MSA, such as interconnection or roaming agreements, such services are not responsive to this question.

10. Please state whether all Services have been provided to América Móvil or any of its Subsidiaries by AT&T Mexico from resources in AT&T Mexico's Mexico City office.

RESPONSE III.10:

Services provided to AMX or any of its subsidiaries under the MSA have been provided primarily by AT&T Mexico from resources in AT&T Mexico's Mexico City office. To the extent necessary or appropriate, AT&T Mexico employees have drawn on resources from outside of AT&T Mexico to assist with specific services provided under the MSA. For example, Mr. Stephens was not an AT&T Mexico employee, and provided one of the services described in response to question III.4.

- a. Please state whether each of the individuals disclosed in the response to questions III.4 and III.5 above are AT&T Mexico employees. To the extent that such persons are not AT&T Mexico employees, provide a copy of the agreement that was negotiated concerning the loan/secundment of such persons to América Móvil or any of its subsidiaries. Please address each instance individually.**

RESPONSE III.10.a:

With the exception of Mr. Stephens, each of the individuals disclosed in response to question III.4 and III.5 above is or was an AT&T Mexico employee when the individual performed the services described in response to question III.4 above.

- b. The Agreement provides that: "SBCI-MSI shall provide the Services with its own resources located in Mexico City. Any services requiring resources from other sources or SBCI-MSI subsidiaries shall be contracted separately and additionally to this Agreement." Please identify and provide a copy of any other agreements entered into pursuant to this provision.**

RESPONSE TO REQUESTS III.10.b:

AT&T has not identified any agreement entered into pursuant to this provision.

11. Please provide a copy (with translation into English if appropriate) of the agreement described in Clause Sixteenth of the Agreement.

RESPONSE:

Set forth as Attachment III.11 is a copy of the agreement described in Clause Sixteenth of the MSA.

12. During an *ex parte* meeting on September 21, 2009, it was suggested that steps might be taken to exclude the provision of services under the Agreement with respect to U.S. operations of América Móvil. Please provide detail regarding the nature of the steps that might be or have been taken to achieve this objective.

RESPONSE:

AT&T Mexico and AMX entered into the Eighth Amendment to the MSA dated as of September 23, 2009 (enclosed as Attachment III.12) which provides that:

AT&T MEXICO shall have no obligation to provide any Services (as defined in the MSA) to AMÉRICA MÓVIL under the MSA to the extent those Services would be specific to, or primarily for the benefit of, operations AMÉRICA MÓVIL may have in any portion of the United States or its territories. In addition, AMÉRICA MÓVIL agrees that it will not seek to require any such Services from AT&T MEXICO to the extent AT&T MEXICO has obligations not to provide such Services (including, without limitation, obligations arising under any law, governmental decree, order, rule or regulation).