at&t

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June 16, 2011

VIA ELECTRONIC SUBMISSION

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

Re: **In the Matter of the State of Mobile Wireless Competition, WT Docket No. 10-133;**

In the Matter of Applications of AT&T Inc. and Deutsche Telekom AG for Consent to Assign or Transfer Control of Licenses and Authorizations, WT Docket No. 11-65.

Dear Ms. Dortch:

On June 15, 2011, Robert Quinn, Senior Vice President-Federal Regulatory and Chief Privacy Officer-AT&T Inc., and Jeanine Poltronieri, Assistant Vice President-Federal Regulatory-AT&T Inc. met with Louis Peraertz, Legal Advisor, Commissioner Mignon Clyburn, to discuss the Commission's upcoming Report on the State of Mobile Wireless Competition. Since some of the topics discussed may have a bearing on the pending applications of AT&T and Deutsche Telekom, this letter is being filed in that docket as well.

During the discussion, the AT&T representatives discussed issues related to the State of Mobile Wireless Competition Report and its analysis, as summarized in the attached document. The AT&T representatives stated their view that the best indicator of competition is consumer welfare, and that by all accounts consumers are benefiting from lower prices and competition among carriers. In fact, information released by the Government Accountability Office in its July 2010 report confirms that the average price for wireless service in 2009 was approximately 50 percent of the price in 1999. The participants also discussed the decline in prices for voice, messaging and data, and referenced Roger Entner's April 13, 2011 article, analyzing these trends (copy attached). AT&T also discussed the fact that AT&T's average revenue for one megabyte of data service has dropped almost 90 percent from 2007-2010 and that AT&T's tiered data plans have lowered prices for the majority of its customers.

If you have any questions or need additional information, please do not hesitate to contact me. Pursuant to section 1.1206 of the Commission's rules, this letter is being filed electronically with the Commission.

Sincerely,

Jeanine Poltronieri

Attachments
Copy: Louis Peraertz

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The Facts Show that the Mobile Wireless Marketplace is Effectively Competitive: American Consumers are Benefiting from Lower Prices, Carrier Choice and Investment

Consumers are Benefiting from Lower Prices

- GAO July 2010 Report Confirms Consumer Benefits:
  - "The average price for wireless service in 2009 was approximately 50 percent of the price in 1999."
- Across the industry, prices in all categories -- voice, messaging, data -- fell:
  - Voice revenue/consumer: 30% decline 4Q05 to 4Q10;
  - Effective price/text message: 33% decline 1Q05 to 4Q10;
  - Effective price/MB: 89% decline3Q08 to 4Q10.

Consumer Choice

- US is among the least concentrated of the 21 ranked OECD Countries Measured by HHI.
- Increases of HHI should be of little concern:
  - HHI calculation does not include MVNOs and thus understates consumer choice;
  - More than 66 million existing customers changing carriers each year (25% or existing customer base of 285 million).
- 74% of US consumers have a choice of five or more facilities based providers.
- BBB reports that since 2004 the monthly complaint rate for wireless has fallen 22%.
- Dynamic marketplace:
  - Sprint fastest growing national postpaid wireless brand for 4th consecutive quarter (1Q11)
  - MetroPCS and Leap, which together gained more than a million net customers in the last quarter alone, more than the combined net customers of AT&T and Verizon for the same time period (1Q11).
  - New entrants Lightsquared and Clearwired are building 4G nationwide networks.
  - Regional carriers like U.S. Cellular, Cellular South, Allied Wireless (formerly Alltel), and nTelos compete aggressively.

Investment, Job Creation and Growth

- By the end of 2009, US wireless carriers cumulative investment was $285B, an increase of more than $20 B from year end 2008.
- AT&T invested $17.3 B in capital expenditures in 2009 and $75B over the past four years.
- Wireless industry contributes 2.4 Million Jobs and $100 Million annually to US GDP.

Analysis of Spectrum Below 1 GHz Reflects Outdated Assumptions

- Access to spectrum below 1GHz not vital to competition, as evidenced by PCS spectrum at 1900 MHz revolutionizing the industry.
- When additional capacity is needed, as is the case today, spectrum above 1 GHz provides advantages.
- Consumers make no distinction among services offered above 1GHz. 3G and 4G services are being offered by carriers deploying on spectrum above 1 GHz: Clearwire , Sprint, T-Mobile, Metro PCS, Lightsquared.
- In many parts of higher bands, spectrum is licensed in larger contiguous blocks, which can enable operators to deploy wider channels and simplify device design.

FierceWireless
THE WIRELESS INDUSTRY'S DAILY MONITOR

Published on *FierceWireless* (http://www.fiercewireless.com)

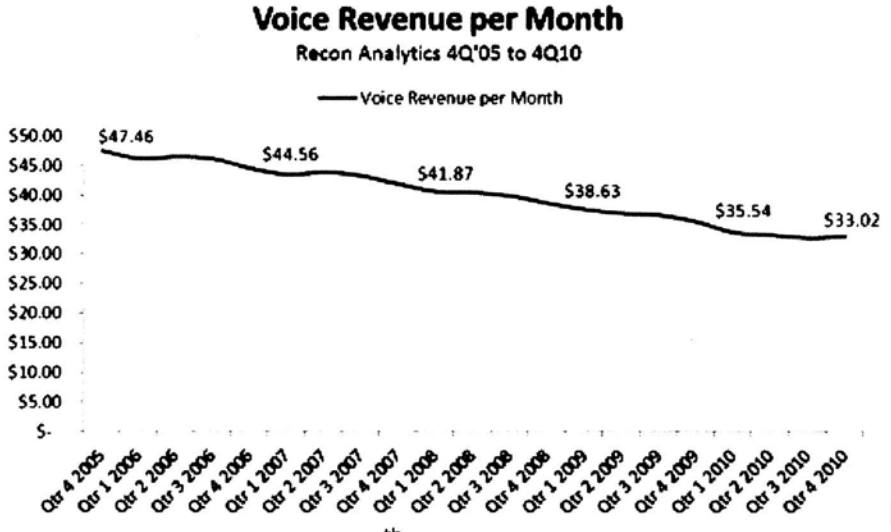
Entner: What is the price of a megabyte of wireless data?

By *RogerEntner*
Created *Apr 13 2011 - 10:18pm*

Roger Entner

[1]The wireless industry has undergone three major revolutions over the last two decades: voice, messaging, and data. As the U.S. wireless industry was delivering these three technologies to American consumers, wireless carriers competed relentlessly against each other, resulting in numerous consumer benefits including lower prices for the services. The story of how the industry brought these benefits to Americans is poorly documented. The lack of care to fully document the wireless industry's success story has resulted in an industry that is more blamed than lauded for its efforts and achievements.

While it is true that the U.S. wireless industry has provided more business metrics to the public via press releases and financial disclosures than any other industry, the data it discloses has not meaningfully changed since the late 80s and early 90s. When the industry got underway, it was awash in red ink and was focused primarily on providing wireless voice connectivity. In an effort to show investors success in the face of billions of dollars of losses every quarter, the industry released subscriber growth data, average revenue per subscriber figures, and minutes of use information as indicia that the companies were growing and were providing a service that American consumers wanted and valued. As the industry began to offer services and capabilities beyond wireless voice, however, it did not simultaneously update the sorts of metrics it provided to the public or to regulators to indicate the tremendous value wireless consumers continued to receive. We have now reached milestones that were unthinkable 20 years ago: there are now as many mobile connections as there are Americans. Due to the competition between U.S. wireless operators, the effective price per voice minute has declined to about four cents per minute. But today, that is only half of the story. The real story is the decline in *overall* prices.



[2]

All data points for the respective 4th quarter of each year.

Per the chart above, it is clear that when the industry maxed out its ability to compete on per minute voice rates, it resorted to lowering top line prices. In the last five years, the voice revenue per customer--what an American pays every month for voice service--fell from $47.46 per month to $33.02 per month, a 30 percent decline. At the same time, Americans increased their talk time from 902 minute per month to 990 minutes per month.

Information about the impact of the next two revolutions, messaging and data, has been made much less clear. One could think wireless operators want to hide the successes and benefits they have brought. Please excuse my sarcasm, but when you read the praises that smartphones are receiving and the scorn that is heaped upon the carriers that power these devices, the strategy seems to be working perfectly.

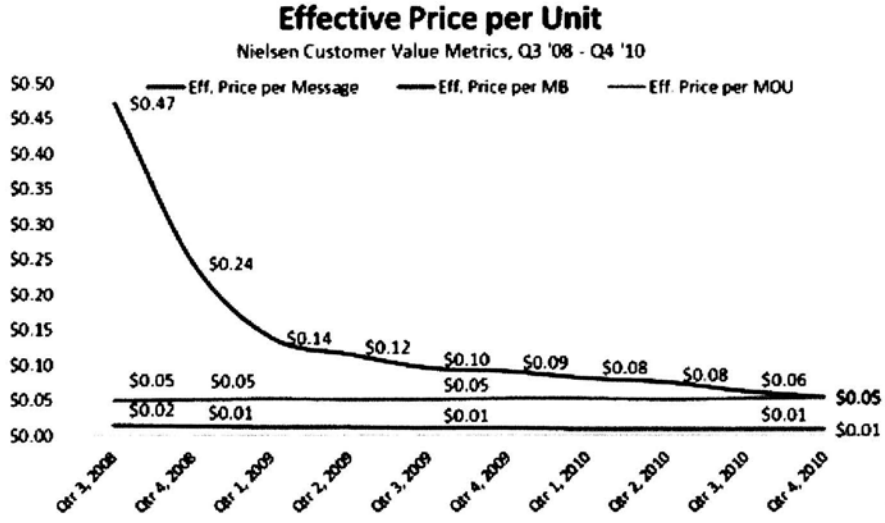
So what is happening in the world of text messaging and data connectivity when it comes to prices paid by consumers? The Nielsen Company, which is tracking this information, has kindly made industry-wide data available to Recon Analytics for analysis and publication.

[3]

First data point is 1st Quarter 2005, all subsequent data points are for the 4th Quarter each year.

In 2005, America's infatuation with messaging began and the industry started to seriously compete in the next wireless revolution. According to Nielsen's Customer Value Metrics, the number of messages that the average American sends or receives per month increased from 25 in Q1 2005 to 728 in Q4 2010, that is a 29-fold increase. At the same time, the effective price per message has declined from 5.7 cents to 0.9 cents during the same time period. Consumers are taking advantage of the messaging bundles that are available in mind-blowing numbers, as the average U.S. teenager sends more than 100 messages per day. While we have seen the largest decline in the effective price per message between 2005 and 2008 when large bundles were introduced, price continues to decline. From Q4 2008 to Q4 2010, the effective price of a mobile text message has declined by about 33 percent from 1.4 cents to 0.9 cents.

Beginning in 2008, the wireless revolution came to data connectivity. Through the widespread introduction of smartphones, data consumption became easier, and Americans embraced the service at record levels. History is starting to repeat itself. As consumption increases, US wireless operators have responded by competing for customers on price, both by offering more data for the same money, or by lowering prices for fixed amounts of data.



[4]

Quarterly data is provided.

As this next revolutionary wave in wireless innovation unfolds, the effective price per megabyte of data has declined from 47 cents per megabyte in Q3 2008 to about 5 cents per megabyte in Q4 2010--roughly an 89 percent decrease. Today the effective price of a megabyte of data is the same as a voice minute, something that was unthinkable ten, or even five, years ago. With the consumption of data continuing to explode due to the tremendous offerings from

smartphones, and the investments in 4G networks and backhaul, the price per megabyte of data will continue to decline.

This brings me back to the beginning of my research note. Why doesn't the wireless industry better use this kind of data to explain the services it provides and the value American consumers are realizing, just as it did with Minutes of Use, Average Revenue per User, and Churn metrics? Failing to provide the industry metrics that capture what's actually happening in the marketplace disserves American wireless consumers and Washington policymakers. If regulators are ill informed or have outdated information about the wireless consumer experience, they tend to adopt regulations that drive up the cost of doing business- costs that get passed along to consumers. The wireless industry would have a much easier time in Washington if it would make more data available about its performance--and the consumer would be the biggest winner.

A special thank you goes to Don Kellogg from the Nielsen Company for helping to put together the data.

Roger Entner is the Founder and Analyst at Recon Analytics [5]. Recon Analytics specializes in fact-based research and the analysis of disparate data sources to provide unprecedented insights into the world of telecommunications.

ARPU Churn Recon Analytics roger entner Text Messages

Source URL: http://www.fiercewireless.com/story/entner-what-price-megabyte-wireless-data/2011-04-13
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