

August 2, 2013

VIA ELECTRONIC DELIVERY

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Room TWA325
Washington, DC 20554

**Re: Notice of *Ex Parte* Presentation
WT Docket No. 12-69**

Dear Ms. Dortch:

On July 31, 2013, Scott Wills and I, representing Vulcan Wireless LLC (“Vulcan”), participated in the Commission’s meeting of 700 MHz Band interoperability stakeholders, as referenced in an *ex parte* filing by the Wireless Telecommunications Bureau,¹ to discuss issues related to the above-captioned proceeding.

In his brief remarks at the meeting, Mr. Wills referenced the attached articles,² which highlight the growing trend of consumers purchasing prepaid smartphones at the full retail price (rather than at a subsidized price in return for signing a contract to purchase wireless services from a specific carrier for a determined period of time). He explained that the current lack of interoperability precludes consumers who purchase prepaid Lower 700 MHz Band 17 devices from changing their service provider to an A Block carrier in the same Lower 700 MHz Band. As

¹ See Notice of *Ex Parte* Presentation of Ruth Milkman, Chief, Wireless Telecommunications Bureau, Federal Communications Commission, WT Docket No. 12-69 (Aug. 2, 2013).

² Becky Worley, *New, Cheaper Smartphone Plans*, YAHOO! NEWS, July 24, 2013, <http://news.yahoo.com/blogs/upgrade-your-life/cheaper-smartphone-plans-164310719.html> (last accessed Aug. 2, 2013); Spencer E. Ante, *Smartphone Upgrades Slow as ‘Wow’ Factor Fades*, Wall St. J., July 17, 2013, *available at* <http://online.wsj.com/article/SB10001424127887323664204578610233963082210.html>; Press Release, NPD Group, Nearly One-Third of All Smartphones Sold in the U.S. are Prepaid (May 15, 2013), <https://www.npd.com/wps/portal/npd/us/news/press-releases/the-mpd-group-nearly-one-third-of-all-smartphones-sold-in-the-u-s-are-prepaid/> (last accessed Aug. 2, 2013); Karl Bode, *Wireless Users Shifting Away From Contracts to Prepaid*, DSL REPORTS, June 18, 2012, <http://www.dslreports.com/shownews/Wireless-Users-Shifting-Away-From-Contracts-to-Prepaid-119974> (last accessed Aug. 2, 2013).

noted in Vulcan's previous filings,³ restoring interoperability in the Lower 700 MHz Band would serve the public interest by enabling the growing number of consumers who own their LTE devices outright to switch service providers readily based on the cost, quality, and other terms of service, thus fostering wireless competition as well as greater consumer choice.

Pursuant to Section 1.206(b) of the Commission's rules, I am filing this notice electronically in the above-referenced docket. Please contact me directly with any questions.

Respectfully submitted,

/s/ Michele C. Farquhar

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Attachments (4)

cc: Chairwoman Mignon Clyburn
Michele Ellison
Dave Grimaldi
Louis Peraertz
Dorothy Terry
Ruth Milkman
James Schlichting
Maria Kirby
Tom Peters
Jessica Almond

³ See Comments of Vulcan Wireless LLC, WT Docket No. 12-69, at 29-30 (June 1, 2012); Reply Comments of Vulcan Wireless LLC, WT Docket No. 12-69, at 27-29 (July 16, 2012).

ATTACHMENTS

New, Cheaper Smartphone Plans



Becky Worley July 24, 2013 Upgrade Your Life

However much you pay every month for your cell phone service, it's probably too much; between \$80-100 a month if you own a smartphone. But good news: Facing stiff competition from budget carriers, all of the major networks recently began offering cheaper "prepaid" plans – which could save you a ton of money. Prepaid Plans

Instead of entering a two-year contract, a "prepaid plan" enables you to pay monthly, without a commitment to stay with a particular service provider. These no-contract, prepaid phone plans used to be just for dumb-phones – you know, what the manufacturers call "feature phones" (but actually have few usable features). Or, you could get a great deal if all you did was talk and text – no need for web.



But then budget carriers like Straight Talk, Boost, and MetroPCS started offering monthly plans that included web access.

Consumer-driven Change

Consumers have done the math: Buying a phone up front and paying a lower monthly fee can be way cheaper than a two-year contract. And the demand for this kind of arrangement has shaken up the industry.

According to a study by the NPD Group, by the beginning of 2013, 32% of all smartphone sales were prepaid models. That popularity has forced all the major carriers to roll out prepaid smartphone plans – and that's on their super fast 4G and LTE networks.

So now the world has really changed. Today, you can find \$30 a month plans for even the newest smartphones.

The Deals:

If you're a heavy talk and data user, the best plan is on Sprint's network through Boost Mobile: \$50/month for 2.5 GB of data. (Compare this to Verizon and AT&T's plans – \$60/month for 2 GB.) Better yet, if you make six, monthly, on-time payments in a row, Boost will knock \$5 off your monthly bill every month thereafter. They'll reduce your bill again at 12 months, and again at 18 months, so that after a year and a half you could be paying as little as \$35/month – if you haven't switched plans by then.

If you don't talk much but use a lot of web access (say, you're a teenager), Virgin Mobile has a \$35/month for 300 minutes of talk – and unlimited text and data.

If you use a moderate amount of data but want unlimited talk and text, T-Mobile offers unlimited talk and text, plus 500 MB of data for \$50/month.

The cheapest deal I've recently seen from the big carriers: If you dig down deep on T-Mobile's prepaid plan page, you'll find a plan with only 100 minutes of talk, but unlimited text and data for – get this – \$30 a month. And don't forget the budget carriers who started it all: Straight Talk, Walmart Mobile, Ting, Giv Mobile, Simple Mobile. Many of these have \$35 and \$40 a month plans and if you're willing to do the digging to find out about their coverage, speeds, and plans, they can be a great way to save.

Cautions:

Throttling: If you stream a lot of video or otherwise use a lot of data, some of these carriers will throttle your data - meaning they'll slow your streaming way down

A prepaid phone is not the same as an unlocked phone: If you buy a prepaid phone from a carrier, it probably won't work with another carrier's service. If you buy an unlocked phone from a third party (like Amazon Wireless or Best Buy), you can use it with other carriers. But switching around has some limitations and you need to do your homework. Best bet is if you think you may want to switch carriers mid-stream, or if you travel a lot and want to pop in a local SIM card overseas, get an unlocked GSM phone.

[Related: How to Get Deals on Amazon]

What You Should Do

If your contract is up for renewal (or has already expired), you face a decision point – go monthly or enter a new two-year contract.

If you own a phone you're happy enough with, this is a no brainer. Shop around for a monthly plan that will work with your phone. If you can go from \$90/month to \$50, for example, that's a savings of \$960 over a two-year period.

If you need to buy a new phone, you have to factor in the cost of that phone, and the math becomes a little trickier. For example, say you currently pay \$80/month (\$40/month for 450 voice minutes, plus \$20/month for 300 MB of data, plus \$20/month for texts) on AT&T. That's \$1920 over two years. You could cut that back to their somewhat comparable \$60/month plan and save \$480 over two years. But if you want to buy a new Galaxy S4, and bring that over, you have to factor in the \$619 cost of the phone – comparing it to getting the same phone for \$199 as part of a two-year contract.

ATT/Galaxy SIV	Prepaid	2-year Contract
Service	\$60	\$80
Phone	\$640	\$199
Total over 2 years	\$2080	\$2119

This is the most expensive current phone on one of the most expensive prepaid plans, and you'd still save \$39 by switching. But look at a different scenario where you buy the Galaxy SIII for \$559 and go to T-Mobile's \$30 a month plan, which gets you 100 minutes of talk, unlimited text and data: You save almost \$500.

T-Mobile/Galaxy SIII	Prepaid	2-year Contract
Service	\$30	\$80
Phone	\$559	\$49
Total over 2 years	\$1279	\$1969

And if you're willing to try a cheaper carrier and buy a slightly cheaper phone, or better yet, if you already own a phone, then prepaid will save you a ton.

Smartphone Upgrades Slow as 'Wow' Factor Fades

Fewer Customers Trade in Devices—A Potential Problem for AT&T, Apple and Others

By SPENCER E. ANTE

Fewer people are upgrading their smartphones—a trend that could make it harder for companies from [AT&T Inc.](#) to [Apple Inc.](#) to keep up the pace of revenue growth.



The rate at which smartphone owners are upgrading their phones fell last year, WSJ's Spencer Ante explains it has a lot to do with the lack of a 'wow' factor. Photo: Getty Images.



Bloomberg News

Last year, 68 million people in the U.S. upgraded their phones, down 9%.

The rates at which American cellphone users have traded in their devices for more advanced models have declined over the last few years, according to analysts at [UBS AG](#). They turned negative last year, when about 68 million people upgraded their phones in the U.S., down more than 9% from a year earlier.

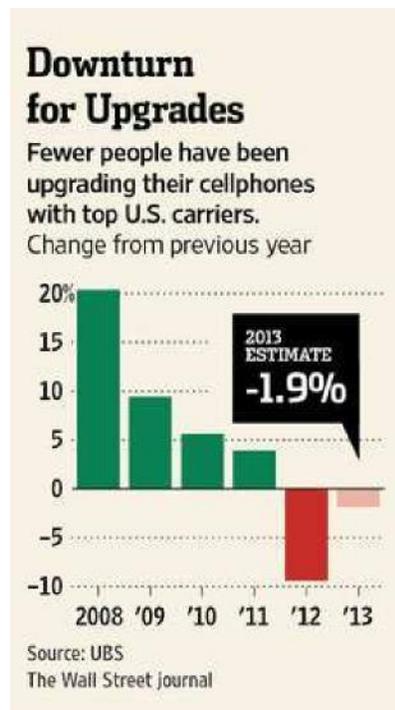
UBS predicts upgrades will fall again this year. AT&T and [T-Mobile US Inc.](#) have introduced plans in recent days to make it easier for subscribers to trade up to new phones if they are willing to give up the usual carrier subsidies. But it remains to be seen whether customers will bite.

There are two components to the trend: With smartphone penetration approaching, 100% of contract subscribers last year in the U.S., there are fewer customers left to upgrade to the Internet-ready devices and data plans. And among existing smartphone owners, fewer are seeing the need to buy the latest Apple iPhone or [Samsung Galaxy](#) as the pace of innovation slows.

Conner Green of Huntsville, Ala., said he won't upgrade his Samsung Galaxy S2 smartphone because he isn't eligible and it would be too expensive to do so. But he has also been less impressed with the latest models from handset makers.

"They haven't thrown anything out that's just like, 'Wow,'" said Mr. Green, who is 26. "There is a cycle every four or five years. It will be a few years before a breakthrough and people buy phones like when Apple first introduced the iPhone, he said.

Of course, the industry continues to bring in a lot of money. Leading smartphone maker Samsung Electronics Co. said early this month that it expects to report a 44% to 50% rise in profit for the quarter ended June 30. Apple's profit fell in the quarter ended March 30 from a year earlier, but landed at \$9.55 billion.



Moreover, industry analysts still expect smartphones to see strong gains overseas. Strategy Analytics estimates 48% growth in smartphone shipments this year in emerging markets.

But the slowdown in the U.S. has rattled investors. Shares in Apple have dropped 19% so far this year, as investors grow concerned about slowing iPhone growth and the flattening of the innovation curve. Samsung's stock is down nearly 15% this year after the company's profit outlook disappointed investors and raised concerns that sales of its high-end Galaxy S4 haven't been as strong as expected.

The issue of upgrades is complex for U.S. carriers. They benefit greatly when subscribers move from basic phones to smartphones and start paying more for data—a key source of revenue growth in recent years.

But they suffer when contract subscribers that already have smartphones trade up to new ones, forcing them to pay subsidies that can reach around \$400 per device.

To protect profits, carriers have been making it harder for customers to upgrade by assessing new fees and extending the time

More

- [AT&T to Offer Option to Forgo Contract 7/15/2013](#)
- [AT&T to Acquire Leap Wireless for \\$1.2 Billion in Cash 7/13/2013](#)
- [Verizon May Owe Apple for iPhones 7/13/2013](#)
- [BlackBerry Z10 Prices Drop to \\$49 Amid Weak Sales 7/13/2013](#)
- [T-Mobile Tries More Market Share Tactics 7/11/2013](#)
- [New BlackBerry Name, Same Old Problems 7/10/2013](#)

Compare Smartphones

See a side-by-side comparison of the specifications and features of recent phones.



before they are allowed to buy new models. The new plans rolled out by AT&T and T-Mobile aim to split the difference by allowing more frequent upgrades as long as subscribers give up the subsidy.

AT&T spokesman Brad Burns said the company has room to add more digital devices to its network and to grow in other areas like wireless home services, connected cars and higher levels of mobile Internet use.

Convincing subscribers that they need the latest phone max;get harder as devices become more advanced.

Kevin Packingham, chief product officer of Samsung Telecommunications America, rejects the notion that innovation has slowed down. But he acknowledged that recent advances such as more powerful computer chips and software that let consumers attach sound clips to pictures are less obvious to users than earlier developments like larger screens.

T-Mobile US Chief Executive John Legere believes new technologies will inevitably emerge and spur more growth.

Smartphone Upgrades Slow as 'Wow' Factor Fades - [WSJ.com](http://www.wsj.com)

"I heard this same assessment by the equipment manufacturers right before Apple launched the iPhone that we've seen everything we could see," said Mr. Legere, a telecom industry veteran. "There is a whole new generation of wearable devices coming that are going to have some impact on the industry."

A number of companies are making big bets that he is right. Satellite TV provider [Dish Network Corp.](http://www.dish.com) has been buying up spectrum and looking for deals that could get it into the wireless business. [SoftBank Corp.](http://www.softbank.com) of Japan just paid \$21.6 billion to acquire control of No. 3 U.S. carrier [Sprint Nextel Corp.](http://www.sprint.com)

SoftBank director Ron Fisher, who will become vice chairman of Sprint's board, said the mobile Internet still has lots of room for growth in areas of payments, commerce and media.

Still, the industry may need to find a new engine.

"Everybody has got a smartphone," UBS analyst John Hodulik said.

—Ryan Knutson contributed to this article.

Write to Spencer E. Ante at spencer.ante@wsj.com

A version of this article appeared July 16, 2013, on page B1 in the U.S. edition of The Wall Street Journal, with the headline: Smartphone Upgrades Slow As the 'Wow' Factor Fades.

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The NPD Group: Nearly One-Third of All Smartphones Sold

Web Content Viewer (JSR 286)

According to NPD's Mobile Phone Track, year-over-year prepaid smartphone unit sales doubled in the first quarter of 2013.

PORT WASHINGTON, NEW YORK, May 15, 2013 – According to [The NPD Group](#), a global information company, in the first quarter (Q1) of 2013, year-over-year total smartphone sales increased 42 percent, with one-third (36 percent) of the actual unit volume increase represented by prepaid smartphone sales.

Year-over-year prepaid smartphone unit sales doubled in Q1 and accounted for 32 percent of total smartphone unit sales, which is an 11 point increase year-over-year and a 10 point sequential increase from the record-high share of 22 percent reached in Q4 2012. Postpaid smartphone unit sales grew just 23 percent, between Q1 2012 and Q1 2013.



“In a quarter without a major product launch from either of the two market leaders, consumers refocused their attention away from the postpaid wars and toward finding the best value for their dollar,” said [Stephen Baker, vice president of industry analysis at NPD](#). “Sales of prepaid smartphones doubled from the previous year, continuing a string of more than 12 quarters of triple-digit sales increases.”

Unit share for Prepaid Smartphone Sales

Manufacturer	Q1 2013
Samsung	32
LG	22
Huawei	11
HTC	8
Apple	8

Source: *The NPD Group, Inc., Mobile Phone Track, 2013.*

Based on the latest information from [NPD's Mobile Phone Track](#), while Samsung's share of prepaid smartphones remained stable between Q4 2012 and Q1 2013, the company has noted some market erosion compared to the prior year. Both LG and Apple made significant inroads into the segment since Q1 2012, with LG's unit share doubling and Apple's unit share increasing fourfold.

“For consumers looking at prepaid phones today, value does not equate with finding phones that are cheap or obsolete,” Baker said. “In fact, the Galaxy S2 and the iPhone 4S, two of the top five prepaid smartphone models in 2013, were among the top-selling phones overall just one year earlier.”

Sales of the top five prepaid smartphone brands comprised more than 80 percent of all prepaid smartphone sales, which is an increase of 5 percentage points over Q1 2012. National retailers were the dominant retail channel for prepaid smartphone purchases, and their sales-volume share has risen almost 40 percent in the past year.

Channel Share for Prepaid Sales

Retail Channel	Q1 2012	Q4 2012	Q1 2013
National Retail	34	44	47
Wireless Carrier	51	41	37
All Other	11	13	14
Wireless Specialty	4	2	3

Source: The NPD Group, Inc., Mobile Phone Track, 2013.

“Prepaid has proven to be a real winner for national retailers,” said Baker. “The easy purchase cycle and grab-and-go nature of the product play into the strength of large-format stores. Certainly, companies like AT&T recognize this shift in purchasing as they ramp up their focus on prepaid phones with their recently announced ‘Aio’ product branding initiative.”

Information this press release is from “Mobile Phone Track,” which reports on the activities of U.S. consumers, age 18 and older, who purchased a mobile phone or smartphone. NPD does not track corporate/enterprise mobile phone purchases.

Web Content Viewer (JSR 286)

Wireless Users Shifting Away From Contracts to Prepaid

Prepaid Now Accounts For 25% of All Customers

by Karl Bode Monday 18-Jun- 2012 2 tags: wireless • stats • wireless

According to new data recently crunched by consultant Chetan Sharma, there's a notable shift among United States consumers away from two-year contract wireless plans – and toward more cost-friendly prepaid options.

According to Sharma, the top seven wireless carriers in the United States lost 52,000 postpaid customers last quarter, the first such loss in the wireless market's history. Prepaid customers have been growing 15% year over year (compared to 1% for postpaid), and now account for 25% of all wireless consumers. Sharma notes that Sprint is the beneficiary of many of these users:

In overall net-adds, Sprint bested both of its bigger rivals for the first time since Q1 2002. That was exactly a decade ago when Cingular and Nextel brands were still around, before Google IPO and before Zuckerberg enrolled into Harvard. In fact, Sprint is the only US operator that has added more than 1 million subs every quarter since Q4 2010. However, most of these net-adds are coming from prepaid and wholesale segments. If we look at the net-adds over the last 4 quarters, AT&T comes out on top by a distance. In terms of postpaid net-adds only, Verizon is the clear leader during the same time period.

This trend toward prepaid should accelerate this year as more and more MVNOs seem determined to get creative on pricing, while the nation's two largest carriers seem intent on finding new, creative ways to limit consumer choice while increasing prices.