

***Before the***  
**Federal Communications Commission**  
**Washington, D.C. 20554**

In the Matter of )  
)  
Applications of Cricket License Company, LLC, )  
*et al.*, Leap Wireless International, Inc., and )  
AT&T Inc. for Consent To Transfer Control of ) WT Docket No. 13-193  
Authorizations )  
)  
Application of Cricket License Company, LLC )  
And Leap Licenseco Inc. for Consent to )  
Assignment of Authorization )

**FOURTH SUPPLEMENTAL RESPONSE OF AT&T INC. TO  
INFORMATION AND DISCOVERY REQUEST DATED NOVEMBER 8, 2013**

**February 5, 2014**

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**15. REQUEST:**

The Applicants assert that “AT&T expects that many Leap customers can be seamlessly migrated to AT&T’s network as they select their new devices” and that “as AT&T learns more about Leap’s customer base, it may formulate offers designed to further encourage Leap’s customers to migrate to AT&T’s network within 18 months of merger close.” (Applicants Aug. 20 Amendment, pages 2-3).

- a. Describe in detail AT&T’s plans to migrate current Leap customers to AT&T, including:
  - i. any plans relating to AT&T’s expectation that “many Leap customers can be seamlessly migrated to AT&T’s network as they select their new devices, and the length of time Leap’s current customers would be able to use their existing devices after the closing of the Proposed Transaction”;
  - ii. any plans to “formulate offers designed to further encourage Leap’s customers to AT&T’s network within 18 months of merger close”;
  - iii. any plans for relevant services and devices to be offered to Leap’s current customers, including but not limited to (a) a detailed description of AT&T’s plans to provide Leap’s customers with devices that can be used on AT&T’s network and any associated charges to a Leap customer who is required to acquire such a device, and (b) the data rates, service plans and pricing to be offered to Leap’s customers, specifically identifying the rate plans that will appeal to value conscious customers; and
  - iv. any plans for Leap’s customers to retain their current service plans and if so, the length of time existing Leap customers can remain enrolled under their existing service plans, and the period during which new Leap customers would be able to select one of Leap’s current service plans after the closing of the Proposed Transaction. Include in your explanation a detailed discussion of all the different types of prepaid/no-contract plans (e.g., daily, monthly all-you-can-eat, and pay as you go) currently available to Leap’s customers.

- b. Describe in detail the transition of Leap’s existing customers, including**
  - i. a projected timeline for the transition of all of Leap’s customers;**
  - ii. how Lifeline customers would be transitioned;**
  - iii. how Muve Music customers would be transitioned and whether the service would continue to be offered; and**
  - iv. the transition of Leap’s customers enrolled under the MVNO arrangement with Sprint.**
- c. Provide all plans, analyses, and reports discussing customer migration and transition of Leap’s current customers to AT&T.**
- d. Identify all CMAs where Leap has ETC status on tribal lands. Describe in detail AT&T’s plans for allowing those customers to continue participating in the Lifeline program after the transaction.**
- e. For each handset that would be offered to Leap’s customers after the closing of the Proposed Transaction, provide a description of the features of that handset and the services (e.g., HSPA+, LTE) supported by that handset.**

**RESPONSE:**

With this Fourth Supplemental Response, AT&T is further updating the description of its plans for migrating Leap customers to reflect the developments in planning since AT&T’s Initial Response, Second Supplemental Response, and Third Supplemental Response.<sup>1</sup> Specifically, AT&T is providing further details on rate plans that AT&T intends to offer to all customers, including migrating Leap customers, upon launch of the New Cricket; the migration of customers, including potential plans for **[BEGIN AT&T HIGHLY CONFIDENTIAL**

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<sup>1</sup> See Third Supplemental Response of AT&T Inc. to Information and Discovery Request Dated November 8, 2013 (filed Jan. 23, 2014) (“Third Supplemental Response”); Second Supplemental Response of AT&T Inc. to Information and Discovery Request Dated November 8, 2013 (filed Jan. 3, 2014) (“Second Supplemental Response”); Initial Response of AT&T Inc. to Information and Discovery Request Dated November 8, 2013 (filed Nov. 22, 2013) (“Initial Response”).

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**[END AT&T HIGHLY CONFIDENTIAL INFORMATION];** plans for third-party financing arrangements; an update to the preliminary list and description of handsets that may be offered to Leap customers during the migration process; and updated preliminary budgets for the overall integration as well as the migration process.

Rate Plans

As discussed in AT&T's prior submissions, the New Cricket will compete vigorously and broadly for prepaid customers and, to that end, AT&T will continue to offer all customers, including migrating Leap customers, competitive rate plans that appeal to value-conscious customers.<sup>2</sup> AT&T CEO Randall Stephenson recently made clear that AT&T will be "aggressive as it relates to pricing" of prepaid wireless services and expects that the Cricket brand on AT&T's network will "shake things up" and "be disruptive."<sup>3</sup> AT&T currently plans that, at launch,<sup>4</sup> the New Cricket will offer **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]**

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<sup>2</sup> See, e.g., Third Supplemental Response at 3-6.

<sup>3</sup> See *AT&T's CEO Discusses Q4 2013 Results – Earnings Call Transcript* (Jan. 28, 2014), available at <http://finance.yahoo.com/news/ts-ceo-discusses-q4-2013-002005310.html>.

<sup>4</sup> See Third Supplemental Response at 4 (describing plans to launch the New Cricket); Second Supplemental Response at 4 (same).

[END AT&T HIGHLY CONFIDENTIAL  
INFORMATION].

AT&T is considering a range of additional offers for the New Cricket, including: [BEGIN  
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<sup>5</sup> Migrating customers with the least expensive monthly plan Leap currently offers (\$35/month plus certain taxes and fees for unlimited voice/messaging only) will be able [BEGIN AT&T  
HIGHLY CONFIDENTIAL INFORMATION]  
[END AT&T HIGHLY CONFIDENTIAL INFORMATION].

**[END AT&T**

**HIGHLY CONFIDENTIAL INFORMATION].<sup>6</sup>**

These New Cricket rate plans and offers will be **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]**

**[END AT&T HIGHLY CONFIDENTIAL INFORMATION].** These plans will give consumers a compelling new choice in prepaid wireless service, and AT&T expects that existing Leap customers will find these rate plans particularly attractive. Combining the strong Cricket brand with AT&T's superior network to create the New Cricket – and then expanding the New Cricket nationally – will give consumers a better prepaid wireless product with a scale, value and network quality that Leap could not achieve on its own.

Customer Migration

As discussed in AT&T's prior filings, AT&T expects that most customers will migrate quickly and voluntarily to the New Cricket as they select attractive rate plans and devices.<sup>8</sup> Based on historical patterns and industry experience, prepaid customers typically upgrade their

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<sup>6</sup> Rate plans and offers are routinely updated and may change before closing and throughout the actual migration process.

<sup>7</sup> See Third Supplemental Response, Exhibit 15.3, which describes the prepaid wireless offers of various carriers.

<sup>8</sup> See *id.* at 7; Second Supplemental Response at 5; Initial Response at 44; Joint Opposition of AT&T Inc. and Leap Wireless International, Inc. to Petitions to Deny and Condition and Reply to Comments at 9 n.30 (filed Oct. 23, 2013) (“Joint Opposition”).

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devices frequently and churn at a much higher rate than postpaid subscribers.<sup>9</sup> As of December 2013, more than [BEGIN LEAP CONFIDENTIAL INFORMATION] [END LEAP CONFIDENTIAL INFORMATION] of Leap's devices were replaced during the preceding 18-month period and approximately [BEGIN LEAP CONFIDENTIAL INFORMATION]

[END LEAP CONFIDENTIAL INFORMATION] of Leap's devices were replaced during the preceding 12-month period. In addition, according to Leap's reported financial results for the third quarter of 2013, the company had an average monthly churn rate of 4.2% for the nine months ended September 30, 2012 and a 4.0% monthly churn rate for the nine months ended September 30, 2013.<sup>10</sup> Given the current rate of Leap customers' handset replacements and churn, AT&T anticipates that the vast majority of the Leap customer base as of merger closing will either migrate voluntarily to the New Cricket or churn well before the 18-month target for completing the migration.<sup>11</sup>

Moreover, as previously described, AT&T plans to formulate offers to be used, if needed, to provide further encouragement to Leap customers to migrate to the New Cricket within 18

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<sup>9</sup> See Second Supplemental Response at 5-6; *Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report & Analysis of Competitive Market Conditions with Respect to Mobile Wireless, Including Commercial Mobile Servs.*, Sixteenth Report, 28 FCC Rcd. 3700, 3864 ¶ 257 (2013).

<sup>10</sup> See Press Release, Leap Wireless International, Inc., Leap Reports Third Quarter Results (Nov. 8, 2013), available at <http://newsroom.leapwireless.com/Press-Releases/Leap-Reports-Third-Quarter-Results-68d.aspx>; see also Leap Wireless International, Inc., Quarterly Report (Form 10-Q), at 47 (Nov. 12, 2013).

<sup>11</sup> [BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]

[END AT&T HIGHLY CONFIDENTIAL INFORMATION]

months of merger closing.<sup>12</sup> In particular, Leap customers also may have the option of choosing from a variety of incentive offers. AT&T does not yet have detailed and finalized plans for such incentive offers because those incentives will need to account for future market conditions at the time they are offered to customers. Nonetheless, AT&T's merger integration team is actively discussing potential incentive offers, including: **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]**

**[END**

**AT&T HIGHLY CONFIDENTIAL INFORMATION].<sup>13</sup>**

In addition, AT&T believes that **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]**

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<sup>12</sup> Third Supplemental Response at 7; Second Supplemental Response at 7-8; Initial Response at 44-45; Letter to Marlene H. Dortch, Esq., Secretary, Federal Communications Commission, at 2-3 (filed Aug. 20, 2013, corrected Aug. 26, 2013) ("Aug. 20 Letter").

<sup>13</sup> See Third Supplemental Response at 7 & Exhibit 15.26, which describes the merger integration team's framework for developing and implementing migration offers.

**[END AT&T HIGHLY CONFIDENTIAL INFORMATION].**

As AT&T previously has shown, Leap customers will have numerous alternative prepaid offerings available to them, including various CDMA-based services, should they wish to choose a different provider instead of migrating to the New Cricket.<sup>14</sup>

Third-Party Financing Arrangements

**[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]**

**[END AT&T HIGHLY CONFIDENTIAL INFORMATION].** Financing terms typically do not extend beyond a two-year period. Accordingly, AT&T estimates that **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** of Leap customers as of merger closing will

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<sup>14</sup> See *id.* at 6-7. Exhibits 15.3 through 15.6 of AT&T's Third Supplemental Response identify prepaid plans offered by providers serving a significant portion of the areas in which Leap is present. AT&T generally permits, upon request, customers to unlock prepaid devices that have been active for at least six months. See AT&T, Wireless Support, Unlock Your AT&T Wireless Phone or Tablet, [http://www.att.com/esupport/article.jsp?sid=KB414532&cv=820#fbid=GWIRZVWAD\\_k](http://www.att.com/esupport/article.jsp?sid=KB414532&cv=820#fbid=GWIRZVWAD_k) (last visited Jan. 28, 2014). The CTIA recently announced that AT&T, Sprint, T-Mobile, U.S. Cellular, and Verizon Wireless have committed to adopt a set of voluntary industry principles for consumer unlocking of mobile wireless phones. See CTIA Letter to Thomas E. Wheeler, Chairman, et al., Federal Communications Commission, *Re Carrier Unlocking Voluntary Commitment* (filed Dec. 12, 2013). Under the voluntary principles, the carriers agreed to unlock prepaid mobile wireless devices no later than one year after initial activation, consistent with reasonable time, payment, or usage requirements. The CTIA has recommended that the voluntary standards be incorporated into the CTIA Consumer Code for Wireless Service. **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]**

**[END AT&T HIGHLY CONFIDENTIAL INFORMATION]**

have third-party financing plans with payment obligations that extend beyond when AT&T plans to terminate CDMA services.<sup>15</sup>

**[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]**

**[END AT&T HIGHLY CONFIDENTIAL**

**INFORMATION]**. As discussed above, AT&T also believes that **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]**

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In sum, given that AT&T estimates that only **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]** **[END AT&T HIGHLY CONFIDENTIAL INFORMATION]** of Leap customers still will be paying off their CDMA devices when AT&T plans to terminate CDMA services; that the current rates of Leap customers' handset replacements and churn suggest that a substantial portion of those customers no longer will be using those devices on the legacy CDMA network at the end of the migration period; **[BEGIN AT&T HIGHLY CONFIDENTIAL INFORMATION]**

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<sup>15</sup> See Fourth Supplemental Response, Exhibit 15.31.

**[END AT&T HIGHLY CONFIDENTIAL INFORMATION]**

AT&T clearly will be able to care for the small number of Leap customers who will have third-party financing payment obligations in the final phase of the migration process.

Devices Offered to Migrating Leap Customers

In the Initial Response, AT&T provided Exhibit 15.e, a preliminary list of handsets that may be offered to Leap customers during the migration process.<sup>16</sup> Exhibit 15.e remains the current, preliminary list of handsets that may be offered to Leap customers during the migration process. With this Fourth Supplemental Response, AT&T is providing Exhibit 15.e.1, an update to Exhibit 15.e that includes the retail cost for each handset listed in Exhibit 15.e. The handset portfolio is expected to be updated during the integration planning process and throughout the actual migration process.

Updated Budgets

Exhibit 15.30 provides an updated preliminary budget for overall integration costs as of January 29, 2014. Exhibit 15.31 provides an updated analysis of projected customer migration and churn and the preliminary budget for customer migration costs as of January 29, 2014.

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AT&T has provided extensive information about its migration plans in numerous filings in this proceeding. In AT&T's Initial Response, AT&T responded fully to the Commission's

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<sup>16</sup> See Initial Response at 47-48 & Exhibit 15.e.

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request based on the integration planning that had been undertaken as of November 22, 2013. AT&T explained that its detailed integration planning was in the early stages, and that it would not make final decisions concerning customer transition until it obtained more detailed information about Leap's operations and customers.<sup>17</sup> At the request of the Commission staff, AT&T has supplemented the record in its Second, Third, and this Fourth Supplemental Response as AT&T's planning has progressed. With these filings, AT&T has provided (1) details on the integration of Aio Wireless and Leap operations;<sup>18</sup> (2) a preliminary budget for the integration process;<sup>19</sup> (3) a preliminary budget for migration of customers;<sup>20</sup> (4) attractive and competitively priced rate plans that may be offered to migrating Leap customers;<sup>21</sup> (5) attractive and competitively priced devices that may be offered to migrating Leap customers;<sup>22</sup> (6) projected timelines for migrating customers;<sup>23</sup> (7) a framework for the migration process;<sup>24</sup> (8) details on

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<sup>17</sup> *Id.* at 42; *see also* Second Supplemental Response at 3.

<sup>18</sup> Third Supplemental Response at 4 (integration of Aio and Leap operations); Second Supplemental Response at 4-5 (same); Initial Response at 23-29, Exhibits 11.b.1, 11.b.2, 11.c., 11.d, 11.f (integration of Leap network assets, including spectrum), 48-54 (integration of Aio and Leap distribution); Joint Opposition at 31-32 (integration of Aio and Leap operations); Aug. 20 Letter at 2-3 (same); Description of Transaction, Public Interest Showing and Related Demonstrations at 13-18 (filed Aug. 1, 2013) ("Public Interest Statement") (integration of Leap network assets).

<sup>19</sup> *Supra*, Exhibit 15.30; Third Supplemental Response, Exhibit 15.27.

<sup>20</sup> *Supra*, Exhibit 15.31; Third Supplemental Response, Exhibit 15.28.

<sup>21</sup> *Supra* at 3-5; Third Supplemental Response at 3-5; Second Supplemental Response at 6-7; Initial Response at 52; Joint Opposition at 7-8.

<sup>22</sup> Fourth Supplemental Response, Exhibit 15.e.1; Initial Response at 46 & Exhibit 15.e; Joint Opposition at 8; Aug. 20 Letter at 3 & Exhibit 2.

<sup>23</sup> Third Supplemental Response, Exhibit 15.26 at 7; Second Supplemental Response, Exhibit 15.1 at 7, Exhibit 15.2 at 8; Initial Response at 43-44; Joint Opposition at 7; Public Interest Statement at 16.

customer messaging, timing, and content;<sup>25</sup> (9) a framework for potential incentive offers;<sup>26</sup> (10) plans with respect to third-party financing of CDMA devices;<sup>27</sup> and (11) preliminary migration plans for Lifeline subscribers.<sup>28</sup> Necessarily, however, AT&T's integration planning will continue to evolve: it cannot be finalized until after closing, when AT&T businesspeople gain full access to the substantial competitively sensitive information from Leap that is required to develop a fuller understanding of the preferences of Leap's customer base and reach granular decisions about the migration process. In addition, AT&T will develop its migration plans and incentive offers over time as AT&T gains experience in transitioning Leap's customers during the actual migration process. Thus, it is typical not to finalize transition plans prior to closing for transactions like this,<sup>29</sup> and the length of the customer migration period allows ample time to refine and complete planning. In any event, AT&T has provided an extraordinary amount of information about its plans for the migration – far more than has been provided in past transactions.

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<sup>24</sup> Third Supplemental Response, Exhibit 15.26; Second Supplemental Response, Exhibit 15.1, Exhibit 15.2; Initial Response at 43.

<sup>25</sup> Third Supplemental Response at 8 & Exhibit 15.29.

<sup>26</sup> *Supra* at 6-7, 9-10; Third Supplemental Response at 7 & Exhibit 15.26; Second Supplemental Response at 7-8; Initial Response at 44-45.

<sup>27</sup> *Supra* at 8-10; Third Supplemental Response at 7; Joint Opposition at 8; Aug. 20 Letter at 3.

<sup>28</sup> Third Supplemental Response at 9; Second Supplemental Response at 8-9; Initial Response at 42-47.

<sup>29</sup> *See Applications of Deutsche Telekom AG, T-Mobile USA, Inc., & MetroPCS Commc 'ns, Inc. for Consent to Transfer Control of Licenses & Authorizations*, WT Dkt No. 12-301, Response to Information Request by Deutsche Telekom AG and T-Mobile USA, Inc. at 14-15 (filed Jan. 7, 2013).

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The record very clearly demonstrates that AT&T will ensure a smooth migration for Leap customers and that they will benefit from the transaction. AT&T has every incentive to try to retain these customers, and a well-managed integration process is a significant piece of its strategy for doing so. More generally, AT&T has shown that it intends to compete vigorously and broadly for prepaid customers and will continue to offer migrating Leap customers, as well as new customers, competitive rate plans that appeal to value-conscious customers, including the option of choosing low-cost devices and low-cost services.

AT&T has demonstrated that the transaction is in the public interest, and the Commission should approve it without delay or conditions.

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**Exhibit 15.e.1 Is Redacted In Its Entirety As  
Highly Confidential Information**

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Highly Confidential Information**

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**Exhibit 15.31 Is Redacted In Its Entirety As  
Highly Confidential Information**