BLUE WIRELESS

Opposition to the AT&T purchase of Allied Wireless US Retail Operations

Brian Gelfand
John Goocher
Donald Evans

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Agenda

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* Summary

Blue Wireless Background

* Wireless Service Provider since 2004
  * Acquired former Devon Mobile Assets in NY & PA
  * Offers commercial mobile radio service in Buffalo, NY, Erie, PA, Scranton Wilkes-Barre, PA and other smaller BTAs in NY and PA using PCS spectrum
  * Uses CDMA technology like Allied Wireless
  * Blue price plans include an $18/month unlimited local voice plan as well as a $36/month unlimited nationwide plan
  * Blue faces competition from the "big four" in addition to Cricket and mobile virtual network operators
  * Blue Wireless, through its affiliates, holds spectrum covering 8 million licensed pops
  * Operates in Erie, PA which is adjacent Ashtabula, OH

Blue Wireless Objections

- Generally, wireless market concentration limits the ability of smaller carriers to compete and limits consumer choice
  - Handsets are made for specific companies ("the big four") and are not available to smaller carriers
  - Related ecosystems (Band Classes) stand to further limit effective competition
  - Consumers pay too much for wireless service as industry leaders approach 50% operating margins
- Specifically, the sale of Allied's US Retail Operations to AT&T are anti-competitive for, and Blue Wireless specifically objects to, the sale of 1 RSA, Ohio-3, Ashtabula County, OH

- Objections result from 3 primary areas
  - Spectrum Concentration
    - Violates spectrum screen typically used for FCC review
  - Market Share Concentration
    - AT&T could not originally buy this market because AT&T had too many customers in Ohio-3
  - Reduces Broadband Wireless competitors from 4 to 3

Spectrum Objection

- Spectrum concentration
  - The Table of Contents in the Public Interest Statement in item VI. A. states that "The Transaction Raises No Spectrum Aggregation Concerns" which is misleading
  - Further in the body of the filing, AT&T says, "AT&T, for the most part, has a modest presence and limited coverage in many areas served by Allied, and its spectrum holdings will remain below the Commission's spectrum screen in all but one county."
- Blue Wireless objects to that one county – Ohio–3, Ashtabula County
- AT&T chooses to ignore this issue as small
- If limits are not enforced, residents of Ashtabula County may never have another choice and may be faced with a long term duopoly

							AT&T Current Spectrum Holdings (MHz)					Transaction Spectrum (MHz)	Total Post	Amount Over
CMA	CMA Name	County	State	AWS Available	BRS Available	Screen	700 MHz	Cellular	PCS	AWS	WCS	Cellular	Transaction	Screen
587	Ohio 3	Ashtabula	Ohio	Yes	Yes	151	30	0	60	20	20	25	155	4

Market Concentration Objection

* Market concentration
  * Blue Wireless objects to the lack of HHI disclosures in the Public Interest filing
  * Markets were originally sold to Allied by Verizon because AT&T could not buy them given the market concentration caused at that time
  * AT&T already offers service in this area and consumers are free to choose AT&T today – clearly a competitive choice is being eliminated
  * Perverse incentives exist if this transaction is allowed
    * AT&T crushes other carriers, then buys them because they have fewer customers than they did before, resulting in an oligopoly
  * Regulatory oversight is required to disallow this type of Machiavellian behavior
  * Blue Wireless requests regulators to review the HHI for Ohio-3 specifically, and all of the markets generally

Broadband Competition Limited

* AT&T acquisition eliminates a wireless broadband competitor
  * Currently, only Verizon, Sprint, AT&T and Allied have 3G service available
  * Broadband wireless competition will be reduced from 4 to 3
  * One of the reasons cited for disallowing the AT&T/T-Mobile merger was this very issue
  * To now allow it sends the wrong message to acquisitive companies at the very time more wireless broadband competition is needed, especially in rural areas
  * Blue Wireless believes that the consistent application of the 4 wireless broadband competitor "standard" is crucial

Summary

* Blue Wireless asks for regulators to intervene
* Regulators have multiple grounds to intervene on Ashtabula, OH (CMA 587)
  * AT&T fails the spectrum screen
  * AT&T will likely fail the market concentration screen
  * Broadband competition will be reduced to 3 competitors
  * Set up to become a duopoly between AT&T and Verizon
* If a customer wanted AT&T, they can have AT&T today (and all of the benefits quoted in the Public Interest statement) without the consolidation of this viable competitor
* Ultimately, AT&T fails to show how the public benefits in Ashtabula, OH