

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)
)
América Móvil, S.A.B. de C.V., Transferor,)
)
and)
) **IBFS File No. ITC-T/C-20200930-00173**
Verizon Communications Inc., Transferee,)
)
Application for Consent to Transfer Control of)
TracFone Wireless, Inc. Pursuant to Section 214 of)
the Communications Act of 1934, as Amended)

**REPLY OF PUBLIC KNOWLEDGE, OPEN TECHNOLOGY INSTITUTE,
AND THE BENTON INSTITUTE FOR BROADBAND AND SOCIETY**

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In accordance with Section 1.45 of the Commission’s rules,¹ Public Knowledge, Open Technology Institute, and the Benton Institute for Broadband and Society (“Public Interest Parties”) file this reply to Verizon and TracFone’s (“Applicants”) response² to the Public Interest Parties’ Opposition to Petition for Streamlining and Motion to Dismiss Application as Incomplete (“Public Interest Opposition”)³ regarding the above-captioned Application.⁴

¹ 47 C.F.R. § 1.45.

² Letter from Verizon Communications, Inc., América Móvil, S.A.B. de C.V., TracFone Wireless, Inc., to Marlene H. Dortch, Secretary, FCC, IBFS File No. ITC-T/C-20200930-00173 (filed Oct. 23, 2020) (“Applicants’ Response”).

³ Public Knowledge, Open Technology Institute, and the Benton Institute for Broadband and Society, Opposition to Petition for Streamlining and Motion to Dismiss Application as Incomplete, File No. ITC-T/C-20200930-00173 (filed Oct. 16, 2020) (“Public Interest Opposition”).

⁴ Application for Consent to Transfer Control of International Section 214 Authorization, File No. ITC-T/C-20200930-00173, at 18 (filed Sept. 30, 2020) (the “Application”).

SUMMARY

Applicants fail to substantively address the concerns raised by Public Interest Parties, or by T-Mobile.⁵ To the contrary, Applicants' Response raises new questions. Even if Applicants were right in their assertions with regard to applicable law (which they are not), important policy concerns alone continue to warrant denial of the request for streamlined treatment.

Most importantly, Applicants utterly fail to rebut the fundamental flaw in their request. Because the Commission requires approval of the Eligible Telecommunications Carrier ("ETC") compliance plan previous to (or simultaneous with) the approval of any Section 214 transfer, the Bureau cannot grant the request for streamlined treatment because the Application is not grantable within 14 days.⁶ Even if one agreed that the Bureau could grant the request for streamlined treatment, it would have no choice but to remove the Application from streamlining at the end of the 14-day period because, without the transfer of the ETC status, the Bureau has no authority to grant the Application.⁷ Applicants' reliance on the single precedent cited, *Allied Wireless Communications*,⁸ predates the relevant Bureau Order⁹ by four years. Accordingly, any precedential value is mooted by subsequent Commission action. Rather, this case is controlled

⁵ Letter from T-Mobile US, Inc. to Marlene H. Dortch, Secretary, FCC, IBFS File No. ITC-T/C-20200930-00173 (filed Oct. 13, 2020).

⁶ 47 C.F.R. § 63.12(a).

⁷ *Id.* § 63.12(c)(3).

⁸ *Allied Wireless Communications Corporation Petition for Eligible Telecommunications Carrier Designations*, Order, 25 FCC Rcd 12577 (WCB 2010) ("Allied Wireless Communications").

⁹ *Wireline Competition Bureau Reminds Carriers of Eligible Telecommunications Carrier Designation and Compliance Plan Approval Requirements for Receipt of Federal Lifeline Universal Service Support*, Public Notice, 29 FCC Rcd 9144 (WCB 2014) ("2014 Public Notice").

by the more recent *TerraCom* denial of streamlined treatment, which the Applicants fail to distinguish.¹⁰

Applicants urge the Bureau to apply an unsupported hypertechnical interpretation of the Commission's rules which would prohibit the Commission from considering the significant policy concerns raised with regard to this transaction if the Application appears to conform to the Rules on its face. Again, even if it were true that the Application is not facially deficient, this interpretation is contrary both to the burden of proof (which lies with the Applicant) and the rationale for streamlining discussed in the *1998 Streamlining Order*.¹¹ Indeed, the processing of applications, streamlined or otherwise, is merely about the administration of such applications, and does not change the core obligation of the Commission to determine that an applicant has met its burden of establishing that grant is in the public interest, or for the Commission to make the requisite finding based on the information before it.¹²

Not only should the Bureau reject efforts to minimize the concerns raised by the Application, but the Applicants' Response itself raises new questions. Applicants apparently concede that Verizon has little experience with, and historically little interest in, administering the Lifeline program. Applicants elide questions about TracFone's unaccounted for domestic Section 214 authorization. Applicants do nothing to rebut Verizon's incentives post transaction

¹⁰ *Domestic Section 214 Application Filed for the Transfer of Control of TerraCom, Inc. to Global Reconnect, Inc, Non-Streamlined Pleading Cycle Established*, Public Notice, 31 FCC Rcd 9525 (2016) ("TerraCom").

¹¹ *1998 Biennial Regulatory Review*, Report and Order, 14 FCC Rcd. 4909, 4920 ¶ 25 (1999) ("1998 Streamlining Order").

¹² *Id.* ("[W]e delegate to the International Bureau the authority to identify those particular applications that do warrant public comment and additional Commission scrutiny under current stated Commission policies. For example, additional scrutiny may be required where an application may present a significant potential adverse impact on competition, or where an assignment or transfer of control could eliminate a significant current or future competitor.").

to deny better services and equipment to Lifeline and prepaid customers to push them to upgrade to more expensive post-paid services. In an apparent concession to this possibility, Applicants argue that such an event—and its subsequent effects on the market as a whole—would be the result of industry trends that are “not specific to the transaction.”¹³ This ignores the obvious point that combining the single largest facilities-based provider and the single largest independent mobile virtual network operator (“MVNO”) would be the *cause* of these changes, not the outcome of these changes.

ARGUMENT

I. APPLICANTS FAIL TO REBUT THE NEED TO FILE AN ETC COMPLIANCE PLAN, AND FOR THE COMMISSION TO CAREFULLY SCRUTINIZE THE POTENTIAL IMPACT ON LIFELINE AND LOW-INCOME CUSTOMERS.

The Commission cannot pass on this transaction because Verizon did not file its ETC certification plan along with the Application. As the Public Interest Parties have shown, the Commission cannot grant the Applicants’ request for streamlining because all wireless ETC certifications must be approved prior to (or simultaneous with) Section 214 transfers.¹⁴ The Commission made this clear in 2014:

[T]he transfer of control of licenses and other authorizations from an entity already designated as an ETC to another entity that has not been designated as an ETC is insufficient for the transferee itself to assume the ETC status of the acquired ETC . . . any entity that is not offering Lifeline service over its own facilities, or a combination of its own and resold facilities, must submit and receive the Bureau’s approval of a compliance plan demonstrating to the Bureau’s satisfaction that the entity will comply with its obligations for offering Lifeline service, including the prevention of waste, fraud, and abuse and the maintenance of sufficient financial and technical capabilities to offer Lifeline services in compliance with these obligations.¹⁵

¹³ Applicants’ Response at 4.

¹⁴ 2014 Public Notice.

¹⁵ *Id.* at 1-2.

The Applicants conveniently ignore the 2014 Public Notice, instead citing an obsolete item predating the 2014 Public Notice, for their argument that “grant of a Section 214 transfer application is distinct from approval to transfer an ETC designation.”¹⁶ In an attempt to shift the burden, the Applicants say “there is no reason in law or in policy why the International Bureau cannot approve the Application separate and apart from the transfer of TracFone’s ETC designation.”¹⁷ The lack of a specific rule stating this flows from the fact that it is the obvious result of the Commission’s rules and policies that to receive streamlined treatment, the Application must be grantable within 14 days. Without an ETC compliance plan approved by the Commission, the application *cannot* be granted at all, never mind in 14 days. To argue that because the Commission’s rules do not affirmatively prohibit the Bureau from accepting for streamlining an ungrantable application, the Bureau may accept the Application for streamlining is pure sophistry. Should the Bureau accept the Application for streamlining, only to deny it after the 14 day period as ungrantable because of the lack of an ETC compliance plan—as required by the Bureau’s 2014 Order?¹⁸

¹⁶ Applicants’ Response at 3; Allied Wireless Communications. The Applicants point to a more recent transaction for their assertion that “[the Commission] has in fact granted approval of Section 214 transfer applications *prior to* granting associated ETC designations.” Applicants’ Response at 3. However, the *Global Connection* example they provide bears little resemblance to the proposed Tracfone acquisition. *See Application for Approval of a Transfer of Control for Global Connection Inc. of America*, ITC-T/C-20170222-00021, WC Docket No. 17-54 (2017). First, unlike America Movil’s prominence in the acquisition at hand, neither the transferor nor transferee were foreign carriers or affiliated with a foreign carrier. *Id.* at 2. Second, while America Movil has been designated as a dominant carrier by Mexico, neither the transferor nor transferee in *Global Connection* were dominant with respect to any service. *Id.* at 3. Third, none of the other scenarios listed in 63.12(c) applied to the applicants in *Global Connection*. *Id.* Fourth, the *Global Connection* transaction involved far fewer customers. *See Global Connection Inc. of America Revised Wireline Compliance Plan*, WC Docket Nos. 09-197, 11-42, at 2-3 (2016).

¹⁷ Applicants’ Response at 3.

¹⁸ The Applicants’ argument that the Application is not deficient under Rule 63.18(e) because ETCs “are not a service but a designation” is likewise an absurd reading of the statute. As

Even if the Applicants were correct that Commission theoretically could stagger its review in a piecemeal fashion,¹⁹ the active FCC enforcement investigation against TracFone for intentional Lifeline violations provides a compelling reason to coordinate Verizon's ETC eligibility status and review of this transaction.²⁰ In April 2020, the Commission proposed \$6,013,000 in forfeiture penalties against TracFone for "willfully and repeatedly violating the Commission's rules governing the Lifeline program and making thousands of improper claims for Lifeline support during 2018, thereby receiving more than one million dollars more from the Universal Service Fund than it should have."²¹ Whatever enforcement remedy the Commission adopts will affect the conditions on which the Commission approves this transaction along with Verizon's ETC eligibility. The Commission cannot possibly pass judgment on these issues without Verizon's ETC certification plan, which has not yet been filed. Precedent supports a more cautious approach. In 2016, for example, the Commission denied a request for streamlined treatment of the transfer of control of a domestic 214 application when an enforcement action against the transferor was pending, even though the transferee agreed to stand in the shoes of the transferor for purposes of the enforcement proceeding.²² Applicants provide no justification for distinguishing this Application from this precedent.

Applicants concede in the next sentence, grant of the Section 214(e) designation brings with it an automatic requirement to provide supported services. Applicants' Response at 4, n.13.

¹⁹ As Public Interest Parties showed in the Public Interest Opposition, even if it were permissible, it would be contrary to the public interest to allow Applicants and future applicants to evade rigorous review. Public Interest Opposition at 7-9.

²⁰ *TracFone Wireless, Inc.*, Notice of Apparent Liability and Order, 35 FCC Rcd 3459 (2020).

²¹ *FCC Publicly Releases More Detailed Version of Notice of Apparent Liability against Tracfone Wireless, Inc.*, Public Notice, 35 FCC Rcd 6280 (2020).

²² *TerraCom* at 2, n.10.

The Applicants' Response, furthermore, confirms the Public Interest Parties' skepticism whether Verizon will serve all TracFone Lifeline customers. The Applicants do not dispute that Verizon is an inexperienced Lifeline provider with little history or interest in serving these vulnerable communities. Instead, in an attempt to assuage the Commission, the Applicants make the highly qualified assertion that Verizon "plans to continue to offer Lifeline service through TracFone *where it will offer service over Verizon's network.*"²³ This nebulous caveat could refer to any number of critical limitations that the Applicants would rather not address, namely: (1) the coverage footprints that might be lost if TracFone were to exclude the AT&T and T-Mobile networks; and (2) the types of service Verizon might provide to TracFone lifeline subscribers.

The Applicants' caveat about Lifeline raises a whole host of unanswered questions. For example, the Applicants do not say whether post-transaction TracFone service will include roaming on other carriers' networks. Nor do the Applicants specify the Verizon network on which TracFone will operate. If the Applicants are referring to 5G, Verizon could effectively end TracFone's offerings across the vast majority of the United States if the service benchmark is Verizon's 5G network offering. If the Applicants are referring to 3G, Verizon could strap Lifeline consumers with inferior if not unusable services. Verizon's 4G services are considerably more expansive, but even this Verizon network continues to leave vast swaths of population and territory unserved.

II. APPLICANTS FAIL TO ADDRESS OTHER DEFICIENCIES IDENTIFIED IN THE PUBLIC INTEREST OPPOSITION.

Other procedural infirmities also remain outstanding. As the Public Interest Parties explained, the Applicants' *domestic* Section 214 transfer Application must undergo full public-

²³ Applicants' Response at 4 (emphasis added).

interest review.²⁴ The Applicants concede that TracFone’s 2014 acquisition of Page Plus Cellular involved a domestic section 214 authorization.²⁵ Still, they claim the pending transaction is exempt from domestic 214 obligations because TracFone only offers CMRS, citing a rule that appears to be inapplicable in this proceeding.²⁶ The Applicants conspicuously fail to explain what happened to the domestic section 214 authorization TracFone had just a few years ago.²⁷ If the authorization was discontinued, no discontinuance application appears to have been filed. If the authorization was transferred or assigned, no Commission grant seems to exist. If TracFone’s business has changed such that a domestic section 214 authorization is no longer necessary, the Applicants do not say. The Applicants also fail to say what happened to TracFone’s Letter of Assurance that accompanied the Page Plus transaction.²⁸ Whether Applicants need their domestic section 214 authorization at the moment is irrelevant to the question of whether they have it, whether they intend to transfer it, or what has otherwise become of it. At this juncture, the Commission cannot credit the Applicants’ unsupported claim that the transaction does not involve a domestic section 214 authorization.

²⁴ See 47 C.F.R. §§ 63.03-04.

²⁵ Applicants’ Response at 3, n.9; *Domestic 214 Application Granted for the Acquisition of Assets of Start Wireless Group, Inc. d/b/a Page Plus Cellular by Tracfone Wireless, Inc.*, Public Notice, 29 FCC Rcd 93 (WCB 2014).

²⁶ See Applicants’ Response at 3 (citing 47 C.F.R. § 20.15(b)(3)). That rule relieves CMRS providers from submitting “applications for new facilities or discontinuance of existing facilities.” 47 C.F.R. § 20.15(b)(3). The rule does not relieve providers of the obligation to file assignment or transfer of control applications.

²⁷ *Application for Consent to Assignment of Customer Base and Related Assets of an Authorized Domestic Section 214 Carrier, TracFone Wireless, Inc.*, WC Docket No. 13-138, at 2 (2013) (“Upon grant of this Application and consummation of the proposed transaction, TracFone will relinquish the domestic Section 214 authority previously held by Page Plus and will provide service to the acquired customers pursuant to its own domestic Section 214 authorization.”).

²⁸ See Letter from F.J. Pollak, President and Chief Executive Officer, TracFone Wireless, Inc., to John Carlin, Acting Assistant Attorney General, U.S. Department of Justice, IBFS File No. ITC-ASG-20130522-00143, WC Docket No. 13-138 (filed Dec. 19, 2013).

The Applicants' missing domestic Section 214 transfer application is critical because it would ordinarily disqualify the transaction from streamlined processing. The Commission's rules presumptively allow expedited review of domestic transfer of control when: (1) both applicants are non-facilities-based carriers; (2) the transferee is not a telecommunications provider; or (3) the proposed transaction involves only the transfer of the local exchange assets of an incumbent LEC by means other than an acquisition of corporate control. None of these factors apply here.²⁹ Verizon is a "facilities-based" "telecommunications provider" and the transaction involves an "acquisition of corporate control." And even if the domestic Section 214 transfer application were subject to streamlined processing, the Commission has broad authority to withdraw that treatment if, among other things: (1) timely filed comments on the application raise public interest concerns that require further Commission review; or (2) the Commission otherwise determines that the application requires further analysis to determine whether a proposed transfer of control would serve the public interest.³⁰

The Applicants' attempt to salvage TracFone's international section 214 transfer application fares no better. The issue is not, as the Applicants suggest, whether Verizon's acquisition will reduce TracFone's foreign ownership. Nobody disputes that it will. Rather, the concern is with America Movil's newly acquired stake in Verizon following Verizon's acquisition of Tracfone and America Movil's newly acquired incentive to leverage market power in the U.S., Mexico and throughout much of Latin America to discriminate against Verizon's rivals. Verizon dismisses America Movil's post-acquisition \$3.125 billion ownership interest in Verizon as inconsequential because it does not trigger FCC reporting requirements for foreign ownership. The FCC's reporting thresholds are not dispositive of market effects, however, and

²⁹ 47 C.F.R. § 63.03(b)(1).

³⁰ *Id.* at § 63.03(c)(1).

this supposed irrelevance depends on whether America Movil's \$3.125 billion equity interest in Verizon following the purchase is as inconsequential as Verizon claims it will be.

Additionally, as Public Interest Parties noted in their opposition, Verizon and America Movil may have entered into contracts or developed understandings with each other that would leverage America Movil's dominance in Mexico to the detriment of United States carriers. Applicants neither affirm nor deny the existence of any such agreements or understandings in either the Application or Applicants' Response. Applicants' silence speaks volumes, and the Bureau should request any documents related to any negotiations or agreements between Verizon and America Movil beyond the scope of the described transaction.

III. APPLICANTS FAIL TO ADDRESS IMPORTANT POLICY CONCERNS THAT WARRANT DENYING STREAMLINED TREATMENT.

The Applicants simultaneously downplay the magnitude of the transaction while exaggerating the burden being asked of them. In their telling, a \$7 billion acquisition involving (1) the largest facilities-based mobile network operator holding 40% of the wireless market; (2) the largest MVNO holding 20 million subscribers; (3) one of the nation's largest Lifeline providers; and (4) foreign ownership issues involves "only a single international 214 authorization."³¹ Verizon is not buying TracFone for its "single international 214 authorization," but for the millions of customers who rely on TracFone and the incremental addition to Verizon's market power that acquiring TracFone will establish.³² Meanwhile, the Applicants say the transaction is different in the particulars from the T-Mobile-Sprint merger.³³ True, but irrelevant. The immediate issue before the Commission is not whether to embark on a multi-year review. Rather, it is whether the sale of TracFone to Verizon should be *automatically granted*

³¹ Applicants' Response at 1-2.

³² *Id.* at 4.

³³ *Id.* at 1.

without any review whatsoever.

In the domestic marketplace, the Applicants have barely addressed the Public Interest Parties' concerns. For many years, TracFone has claimed that “[MVNOs] are an integral part of the wireless services market, and their participation in that market should be considered by the Commission in assessing the competitiveness of that market.”³⁴ But now the Applicants dismiss these market effects with a wave of the hand.

First, the Applicants say that “while the filings suggest that the transaction could impact other MVNOs, this transaction will not impact the number of network-based carriers offering MVNO arrangements nor the business incentive for those carriers to offer wholesale services for resale.”³⁵ That claim proves too much—the same could be said for almost any acquisition of a retail distributor by a vertically integrated competitor. If Amazon were to acquire a book distributor like Barnes & Noble, the acquisition would not get a free pass just because Amazon is not acquiring Wal-Mart. It is elementary economics that even partial vertical integration will affect upstream suppliers.³⁶ As TracFone noted, the Commission has acknowledged that resellers often “ha[ve] better access to some market segments than the host facilities-based service provider and can better target specific market segments, such as low-income

³⁴ See Letter from Mitchell Brecher, Counsel for Tracfone Wireless, Inc., to Marlene H. Dortch, Secretary, FCC, WC Docket No. 17-287 *et al.*, at 1 (filed Oct. 16, 2018) (“2018 Tracfone Letter”).

³⁵ Applicants' Response at 4.

³⁶ See Michelle Connolly, *Competition in Wireless Telecommunications: The Role of MVNOs and Cable's Entry into Wireless*, at 14 (Sept. 2018), attached to 2018 Tracfone Letter (“The decision by upstream firms to not fully vertically integrate is based on many factors, including differences in economies of scale at different stages of production, specialization, contract and transactions costs, and the profitability of price discrimination. Resale moves any market closer to a competitive market equilibrium and lowers the costs of the overall vertical chain. In other words, resale—in any market—imposes price/quality discipline on upstream suppliers.”).

consumers[.]”³⁷

Second, the Applicants mischaracterize the Public Interest Parties’ comments as “concerns about overall impacts to the prepaid segment resulting from broader shifts in the mobile telephony/broadband services market, those concerns are not specific to the transaction.”³⁸ This ignores the obvious fact that when the largest facilities based carrier buys the largest independent MVNO, it *creates* the industry change. As the Public Interest Parties explained, Verizon’s acquisition risks accelerating and cementing the change to post-paid, higher-cost plans from the pre-paid, lower-cost plans that TracFone offers today. Simultaneously, it creates incentives for Verizon – and in response the other vertically integrated facilities based carriers – to deny access to their networks to new MVNOs, foreclosing emergence of any future independent MVNOs. To claim that these potential harms to competition are not “transaction related” is to blink at reality.³⁹

The Public Interest Parties were not concerned about some grand historical metanarrative of wireless offerings, but on the very real, very present claims that the transaction Verizon

³⁷ See generally Comments of Tracfone Wireless, Inc., WC Docket No. 17-287 *et al.*, at 8 (filed Feb. 21, 2018) (quoting *Implementation of Section 6002(B) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions with Respect to Mobile Wireless, Including Commercial Mobile Services*, Twentieth Report, 32 FCC Rcd 8968 ¶ 15 (2017)).

³⁸ Applicants’ Response at 4.

³⁹ Additionally, the extent to which harms must be “transaction specific” for FCC review is broader than that used in antitrust. As the Applicants concede, the relevant standard of review includes whether grant of the transaction would frustrate the goals of the Communications Act. Application at 10. If the transition would cause a fundamental change in the market structure that frustrates the pro-competition goals of the Communications Act, it is “transaction specific” for FCC review even if it would fall outside the scope of antitrust review. *Applications for Consent to the Assignment and/or Transfer of Control of Licenses, Adelphia Communications Corp., Assignors to Time Warner Cable, Inc., Assignees, et al.*, MB Docket No. 05-192, Memorandum Opinion and Order, 21 FCC Rcd 8203, 8218-19 ¶¶ 25-26 (2006) (requiring access to regional sports networks, despite refusal of FTC to adopt a similar condition, to enhance MVPD competition).

proposes will directly and irrevocably harm consumers. TracFone's entire business model is predicated on providing easy-to-use, pay-as-you-go, affordable wireless telecommunications services to consumers to whom wireless service would be otherwise unavailable or unaffordable. TracFone's services do not require term contracts, minimum service periods or volume commitments, credit checks, or early termination fees. Verizon's business model does not remotely resemble TracFone's business model, and nothing in the Applicants' Response refutes Public Interest Parties' contention that Verizon intends to change TracFone's focus from serving those communities in greatest need with affordable mobile service plans to something else that is less affordable, less flexible, and less widely available. The Applicants' silence on the issue essentially concedes the point.

* * *

What little information the Applicants have made available already raises serious questions. The Commission should reject the Applicants' invitation to rush to judgment. The Commission has long required that certain international Section 214 applications undergo thorough review and public comment when they "present a significant potential adverse impact on competition, or where an assignment or transfer of control could eliminate a significant current or future competitor."⁴⁰ Because this transaction, even on a cursory glance, raises precisely those concerns, the Commission should withhold this Application from streamlined treatment and give proper attention to the public interest.

Respectfully submitted.

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October 30, 2020

⁴⁰ 1998 Streamlining Order at ¶ 25.

CERTIFICATE OF SERVICE

I hereby certify that, on October 30, 2020, I caused a copy of the foregoing pleading to be served via regular mail upon:

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