April 7, 2021

VIA ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
45 L Street, NE
Washington, DC 20554

Re: *Application for Consent to Transfer Control of International Section 214 Authorization*, GN Docket No. 21-112, File No. ITC-T/C-20200930-00173

Dear Ms. Dortch:

As part of Verizon, TracFone will become a stronger competitor, increasing its ability to bring new offers to market for value-conscious consumers, and allowing it to better compete against the flanker brands of T-Mobile (Metro) and AT&T (Cricket). Recent filings[1] do not lessen or undercut this key point: a combined Verizon/TracFone will deliver enhancements to consumer welfare, and the proposed transfer should be approved.

In today's prepaid segment, Metro and Cricket enjoy substantial competitive advantages as integrated flanker brands, and a combined Verizon/TracFone would be able to better compete in this segment. The reality is that Metro and Cricket have significant competitive advantages over TracFone as flanker brands of mobile network operators ("MNOs")—including on network cost and time to market. Today, 75 percent of the prepaid segment is served by Metro and Cricket, providers that benefit from owner's economics, and DISH's Boost, which enjoys government mandated below-market wholesale rates while DISH builds a network that will provide Boost with the benefits of owner's economics.[2]

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[1] *See* Comments of Public Knowledge *et al*. (Mar. 12, 2021) ("Public Knowledge"); Comments of Communications Workers of America (Mar. 12, 2021) ("CWA"); Letter from Free Press (Mar. 12, 2021).

[2] *See T-Mobile US, Inc. and Sprint Corporation*, Memorandum Opinion and Order, Declaratory Ruling, and Order of Proposed Modification, 34 FCC Rcd 10578, 10667 (2019) ("*T-Mobile/Sprint Order*") ("[U]nlike a typical MVNO arrangement with standard wholesale provisions, New Boost will be able to use its wholesale arrangement with New T-Mobile as the jumping-off point to grow into an even stronger competitor—whether continuing as an MVNO, as an infrastructure-based reseller (iMVNO), and/or a full-fledged facilities-based provider.").

CWA criticizes the purported loss of a "maverick" that will result from the transaction.[3] But that overstates both the role of mobile virtual network operators ("MVNOs") generally—and TracFone, specifically—in the marketplace. Mavericks are providers that have the "*ability* and incentive to *expand* sales" to consumers.[4] MVNOs typically lack the ability to operate as true mavericks because they have no network facilities of their own and must rely on wholesale wireless connectivity from the MNOs. As the District Court in T-Mobile/Sprint concluded, "MVNOs face significant constraints on their ability to compete independently with MNOs and thus lack the ability to significantly constrain the MNOs."[5] This is consistent with TracFone's experience. As a result, it lacks that ability today—and is likely to continue to struggle moving forward—to make the most competitive offers and retain and grow subscribers unless it integrates with a network operator as its rivals Metro and Cricket have done.

This reality is reflected in respective subscriber numbers. TracFone has lost nearly 20 percent of its customers in recent years, while Metro and Cricket have roughly doubled their subscribers—largely at the expense of TracFone—over the same period. TracFone's continuing subscriber losses and eroding share of the prepaid segment show how hard it is to compete on a standalone basis.

CWA and others ignore consumers' responses to what is happening in the marketplace today. TracFone cannot—it must evolve to compete.

The transaction will address these competitive disadvantages and allow TracFone to compete on a more even playing field against leading prepaid competitors. With the benefit of owner's economics, TracFone will enjoy lower marginal costs and will be better positioned to compete nimbly and effectively on device and rate plan pricing and on innovation in product offerings.[6] Today, Verizon currently does not participate in the value-conscious segment in any meaningful way, but a combined Verizon/TracFone will be a stronger competitor in prepaid. Post transaction, TracFone will enjoy expanded distribution and be able to offer more attractive service and device options for consumers, thereby becoming a stronger and more effective

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[3] *See, e.g.,* CWA Comments at 2-3.

[4] *See, e.g., Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services*, Ninth Report, 19 FCC Rcd 20597, 20644 (2004) (emphasis added).

[5] *New York v. Deutsche Telekom AG*, 439 F. Supp. 3d 179, 201 (S.D.N.Y. 2020); *see also T-Mobile/Sprint Order*, 34 FCC Rcd at 10748 (Dissenting Statement of Commissioner Jessica Rosenworcel) ("[W]e know that mobile virtual network operators can never be truly disruptive because they rely on competitors for their success.").

[6] *See* Verizon, América Móvil, and TracFone, Joint Reply to Comments, at 8 (Dec. 28, 2020) ("Bringing owners' economics to TracFone will enable Verizon to lower the cost for TracFone to compete more effectively with AT&T, T Mobile, and DISH.").

competitor than it is today and forcing its competitors to respond. This will benefit *all consumers in the prepaid segment*.

CWA's own advocacy underscores this point. According to CWA, the main cause of declining TracFone subscribership numbers is not competition from Cricket and Metro but the increase in mobile broadband minimum service standards for Lifeline-supported services.[7] CWA is drawing a distinction without a difference. The owner's economics and lower marginal costs that TracFone will experience post transaction will allow TracFone to better compete generally against Cricket and Metro, *and* increase TracFone's ability to meet the Lifeline program's minimum service standards. This transaction therefore will *improve* TracFone's ability to continue to provide Lifeline-supported service and meet minimum service standards.

Recent Filings Lack Meaningful Analysis. Public Knowledge and CWA object to the claimed loss of the "largest remaining independent"[8] MVNO with "significant scale,"[9] but they fail to show how TracFone's MVNO status matters to value-conscious consumers. From the consumer perspective, what matters is the value proposition a provider offers, not whether the provider is facilities-based or an MVNO. Here, TracFone competes in the prepaid segment, and this transaction will enable TracFone to do so more effectively and provide better prepaid value to customers.

CWA argues that an MVNO needs scale to get better wholesale rates from network providers and TracFone is the largest MVNO, but by that metric TracFone is only trending smaller, having lost nearly 20 percent of its customers in recent years. In any case, this theory of "trickle-down" wholesale rates is fabricated from whole cloth. CWA offers no data or actual analysis to support it, and there is no basis to the idea that TracFone's scale somehow helps other MVNOs. MNOs negotiate with each of their MVNO customers individually—there is no tariff or publicly-available rate card that would allow for the kind of benchmarking that CWA is talking about (and no obligation for MNOs to sell to MVNOs in the first place).

Moreover, CWA references news reports about T-Mobile's planned 3G CDMA network shutdown and the impact it may have on DISH's Boost customers,[10] but it never explains why that is relevant to this transaction. This proceeding should not be used as a vehicle to criticize the Commission's approval of the T-Mobile/Sprint merger. That transaction was fundamentally different from this one and is not relevant here. In any event, CWA has not articulated a single concrete theory as to why those issues are relevant to this transaction. The reality is *this*

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[7] CWA Comments at 11-12.

[8] Public Knowledge Comments at 2.

[9] CWA Comments at 8.

[10] *Id.* at 5.

transaction will make TracFone a better competitor and a more robust alternative for Boost customers.

The transaction will strengthen TracFone's ability to continue participating in Lifeline. Despite commenters' continued efforts to conjure Lifeline concerns, Verizon has been crystal clear that it will maintain TracFone's ETC status and continue to offer Lifeline service through TracFone. Verizon sees Lifeline as a foundational element of its commitment in the value-conscious consumer space.

Commenters also either ignore or fail to grasp that this transaction will bring facilities-based competition to Lifeline service. Today, T-Mobile is the *only* facilities-based provider that offers wireless service in the Lifeline program directly to consumers. Verizon's acquisition of TracFone will introduce some much-needed facilities-based competition to this space, once again benefitting consumers.

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Pursuant to Section 1.106 of the Commission's rules, a copy of this letter is being submitted in the record of this proceeding. Please contact the undersigned with any questions.

Respectfully submitted,

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