

**John T. Scott, III**  
Vice President &  
Deputy General Counsel  
Regulatory Law



**Verizon Wireless**  
1300 I Street, N.W.  
Suite 400 West  
Washington, DC 20005

Phone 202 589-3760  
Fax 202 589-3750  
john.scott@verizonwireless.com

February 10, 2004

**Ex Parte**

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

Re: In the Matter of Improving Public Safety Communications  
in the 800 MHz Band, WT Docket No. 02-55

Dear Ms. Dortch:

On October 27, 2003, Verizon Wireless filed an ex parte letter in this proceeding that addressed Nextel's proposal for resolving interference in the 800 MHz band, the so-called "Consensus Plan." Our submission included an appraisal conducted by Kane Reece Associates, a national appraisal firm experienced in wireless industry appraisals, that assessed the fair market value of Nextel's current spectrum holdings as well as the value of spectrum that Nextel would acquire under its proposal. Kane Reece's appraisal concludes that if the Consensus Plan were adopted, the value of Nextel's spectrum holdings would increase by \$7.2 billion.

On November 20, 2003, Nextel filed an ex parte letter in response to the Kane Reece appraisal. Nextel's submission included a study conducted by the Sun Fire Group that questions the methodology used by Kane Reece and, using a different methodology, concludes that the Consensus Plan would not give Nextel a "windfall" benefit.

Enclosed is a report by Kane Reece that responds to Sun Fire's claims, demonstrates that Kane Reece's initial appraisal was accurate, and shows that Sun Fire's Study is flawed in numerous respects.

Kane Reece explains that Sun Fire's objections to the valuation approach employed in the Kane Reece Appraisal are without merit, and are inconsistent with industry valuation practices and the Uniform Standards of Professional Appraisal Practice. Kane Reece confirms that its own Appraisal, in contrast, was conducted in accordance with those

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industry practices and standards, and stands by its detailed appraisal of the massive benefits that the Consensus Plan would yield to Nextel.

In addition, Kane Reece explains why Sun Fire's attempt to calculate the value of the Consensus Plan to Nextel was not conducted in accordance with the Uniform Standards of Professional Appraisal Practice, and used various incorrect data and assumptions. Kane Reece shows that, as a result, Sun Fire seriously overstates the value of the spectrum Nextel would turn in while understating the value of the spectrum Nextel would receive. As Kane Reece points out, Sun Fire's ultimate conclusion – that the Consensus Plan will leave Nextel with spectrum assets worth almost a billion dollars **less** than the spectrum it holds today – is simply not credible.

A portion of the windfall that Nextel would enjoy under the Consensus Plan can be attributed to the “new” spectrum that Nextel would receive at 1.9 GHz, and a portion can be attributed to the improved (e.g., contiguous) spectrum in the 800 MHz band. Kane Reece concludes that the improved spectrum that Nextel would receive at 800 MHz would be worth an additional \$2.3 billion to Nextel. Sun Fire, by contrast, fails to assign any value to this obviously improved 800 MHz spectrum because its flawed “kHz-for-kHz” analysis ignores the differences in attributes of the non-contiguous and encumbered spectrum that Nextel would turn in relative to the contiguous, unencumbered spectrum that it would receive in return.

Kane Reece's analysis confirms what Verizon Wireless has held from the outset of this proceeding – i.e., that Nextel's proposal to “swap” spectrum that is encumbered, non-contiguous, non-national, and subject to significant use restrictions for spectrum that is relatively clear, contiguous, nationwide, and subject to significant flexibility (e.g., 1.9 GHz) would constitute a substantial windfall. The 1.9 GHz spectrum should be auctioned in accordance with Section 309 of the Communications Act. The proceeds received by the U.S. Treasury could be used for important public interest goals as directed by Congress, including to provide Public Safety with modern communications equipment or to provide additional funding for homeland security.

Respectfully submitted,



John. T. Scott, III

Vice President and Deputy General  
Counsel - Regulatory Law

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Enclosure

cc: Bryan Tramont  
Sheryl Wilkerson  
Jennifer Manner  
Paul Margie  
Barry Ohlson  
Sam Feder  
John Muleta  
Catherine Seidel  
David Furth  
Scott Delacourt  
D'Wana Terry  
Michael Wilhelm  
Ed Thomas  
Jane Mago  
Kathleen Ham  
Maureen McLaughlin  
Evan Kwerel  
Walt Strack