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BY ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: WT Docket No. 02-55
Ex Parte Presentation

Dear Ms. Dortch:

On Thursday, March 18, 2004, Lawrence Krevor, Vice President – Government Affairs, Nextel Communications, Inc. (“Nextel”), Geoff Stearn, Nextel’s Vice President - Global Initiatives & Spectrum Group, Leonard Cascioli, Nextel’s Vice President - RF Engineering and Operations, Scott Wallsten, consultant to Nextel, and I met with David Furth, Associate Bureau Chief, Wireless Telecommunications Bureau (“WTB”); Walter Strack, Chief Economist, WTB; D’Wana Terry, Chief, Public Safety & Critical Infrastructure Division, WTB; Aaron Goldberger, Legal Advisor, WTB; Sarah Mechanic, WTB; Roberto Mussenden, WTB; and Michael Wilhelm, WTB, regarding the Commission’s above-captioned rulemaking on public safety communications in the 800 MHz band. During the meeting, Nextel’s representatives and Commission staff discussed issues raised by Nextel in its submissions in this proceeding, including the urgent need to adopt the Consensus Plan as a means of resolving CMRS – public safety interference and providing additional spectrum for public safety communications. Attached to this letter are copies of materials that were discussed at this meeting.

Pursuant to section 1.1206(b)(2) of the Commission’s rules, 47 C.F.R. § 1.1206(b)(2), this letter and the attachments are being filed electronically for inclusion in the public record of the above-referenced proceeding.

Sincerely,

/s/ Regina M. Keeney
Regina M. Keeney

Attachments

cc: David Furth Sarah Mechanic
Walter Strack Roberto Mussenden
D’Wana Terry Michael Wilhelm
Aaron Goldberger

Exhibit A

Kane Reece Methodology Applied to Specific Wireless Companies

	Nextel (Kane Reece Values for 700 and 900 MHz)	Nextel (NXTL Values for 700 and 900 MHz)	Sprint PCS	T-Mobile	Verizon Wireless	Cingular	ATT	Nextel Partners
Net Wireless Enterprise Value (\$mil)	26,603	26,603	24,533	9,800	56,150	26,550	32,126	3,511
less Net PP&E	8,918	8,918	11,897	4,488	17,073	11,144	16,263	1,000
less customer relationship asset (CPGA *subs)	4,712	4,712	5,210	3,133	10,625	8,989	7,864	393
less 700 MHz Spectrum	31	1,640						
less 900 MHz Spectrum	331	350						
License value indication	12,973	12,611	7,426	2,179	28,452	6,417	7,999	2,118
Avg MHz for licensed pop	26	18.5	25.6	24.3	29.0	22.9	33.0	15.0
Licensed pops (000)	234,851	234,851	213,265	218,000	262,000	219,000	274,000	52,000
MHz*Pop (millions)	6,106	4,345	5,460	5,297	7,598	5,015	9,042	780
License value per Mhz*POP	\$2.12	\$2.90	\$1.36	\$0.41	\$3.74	\$1.28	\$0.88	\$2.72

Sources: 1. Kane Reece "Determination of the Fair Market Value of the Certain Portions of FCC licensed Wireless Spectrum Proposed for Realignment by Nextel Communications, Inc. Under FCC WT Docket No. 02-55 As of December 31, 2002.", Exhibit E and p-iv.

Attached to Letter from John Scott, Verizon Wireless, to Marlene Dortch, FCC Secretary, WT Docket No. 02-55 (Oct. 27, 2003).

2. Letter from Regina Keeney, Counsel to Nextel, to Marlene Dortch, WT Docket No. 02-55, Attachment 3 (March 15, 2004). "What Windfall"

What Windfall?

*A Review of the Valuation
Components of the Consensus Plan*

Background



The Myth: Verizon alleges a Consensus Plan windfall for Nextel:

- ◆ Asserts that 10 MHz of contiguous replacement spectrum at 1.9 GHz is worth \$5.3 billion
- ◆ Asserts additional contiguous spectrum at 800 MHz worth about \$3 billion
- ◆ Result: increase Nextel's spectrum value by \$7.2 billion (after deducting value of Nextel's spectrum contributions)

The Reality: No Nextel Windfall

- ◆ Nextel's spectrum and financial Consensus Plan obligations are worth at least \$2 billion more than the encumbered 1.9 GHz replacement spectrum
- ◆ Primary benefit of additional 800 MHz contiguous spectrum is reduced public safety interference; interference reduction far outweighs ancillary benefit to Nextel
- ◆ Verizon conveniently ignores the value to the public of eliminating interference to critical public safety communications systems

The Facts: Cellular Carriers Get a Virtual Free Ride!

- ◆ The cellular licensees -- AWE, Cingular, Verizon, Alltel – receive substantial benefits under the Consensus Plan
- ◆ Cellular operators contribute approximately 25 percent of commercial – public safety interference
- ◆ The Consensus Plan eliminates cellular-only interference to public safety and private wireless systems and makes eliminating cellular-Nextel combined interference much easier
- ◆ Unlike Nextel, the cellular carriers obtain this benefit without having to retune their systems or provide any incumbent retuning funding. Cellular gets all of the gain, with almost no pain

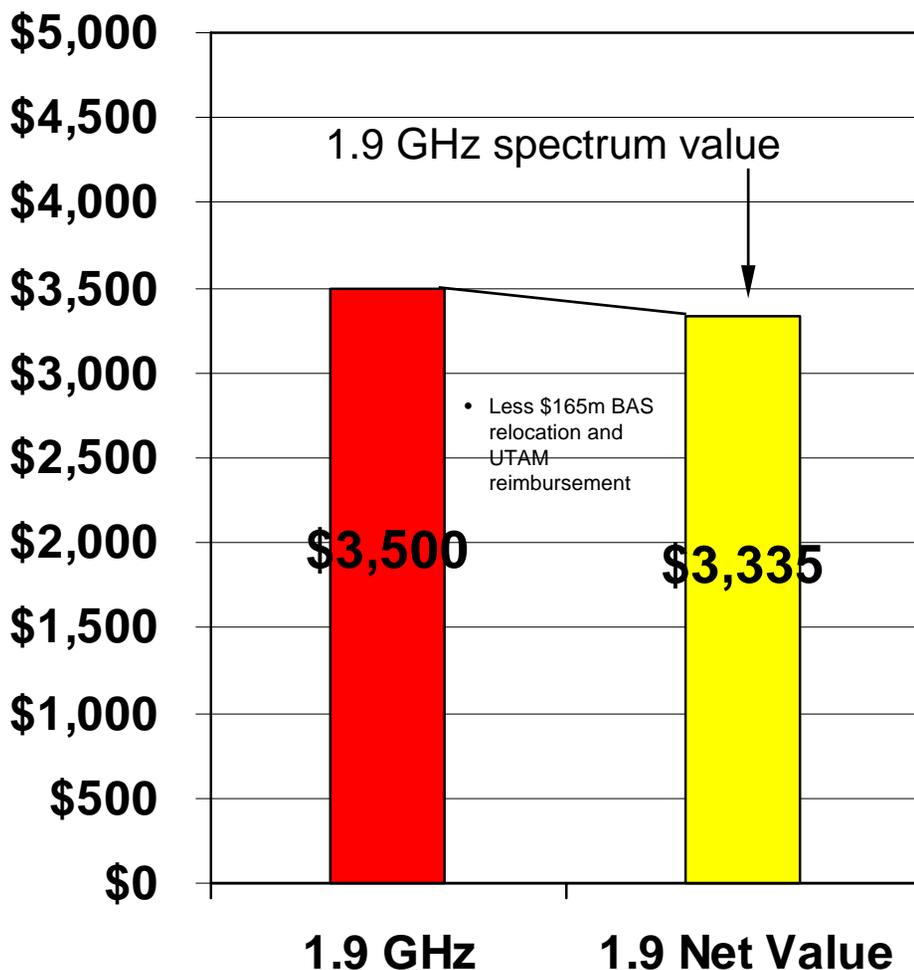
The Consensus Plan:

A great deal for Public Safety First Responders and the American people

Nextel contributes more than \$5.4 B to solve 800 MHz Interference



Nextel Receives Less than \$3.4 B of Replacement Spectrum



10 MHz Nationwide 1.9 GHz license valued at \$3.5 B

- ◆ Based Upon 2003 marketplace transactions
- ◆ Uses “tiered” pricing model to generate average spectrum price for a combination of large and small markets
- ◆ Reflects realistic, market based valuation of the 1.9 GHz license

Less \$165 million for incumbent relocation for a net value of \$3.3 B

- ◆ \$150 million: Nextel’s estimated *pro rata* share of cost of retuning 1.9 GHz incumbent BAS licensees
- ◆ \$15 million for *pro rata* reimbursement of UTAM’s expense for retuning fixed microwave licensees out of the 1910 – 1915 MHz channel block

No Nextel spectrum windfall at 800 MHz

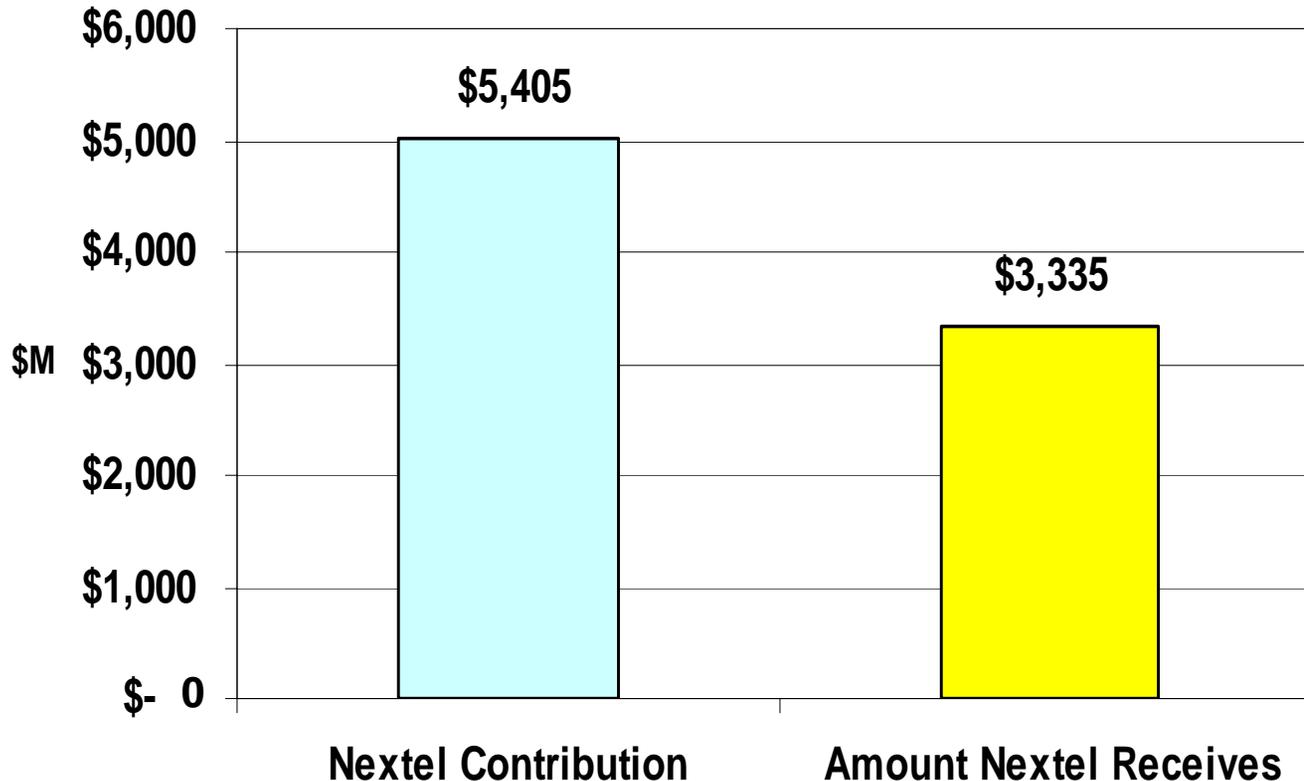


- ◆ Nextel averages 18.5 MHz at 800 MHz across U.S. markets; 10 MHz contiguous block today (816/861 – 821/866 MHz), with smaller contiguous channel groups
- ◆ Consensus Plan moves all Nextel 800 MHz channels above 816/861 MHz:
 - Results in 16 MHz contiguous channel block licensed primarily to Nextel
 - Nextel surrenders 2.5 MHz for public safety communications systems
- ◆ Nextel built its network using iDEN technology designed for efficient non-contiguous spectrum use
 - Technology refined over the past decade to deliver increased spectrum efficiency, customer capacity (6:1 interconnect) and faster data rates (w-iDEN)
- ◆ Nextel current non-contiguous spectrum serves more than 12 million customers (and growing) with industry leading performance metrics.
 - More contiguous spectrum (6 MHz) adds little, if any, significant value given iDEN's optimization for efficient non-contiguous spectrum deployment
- ◆ Realigning Nextel's 800 MHz channels into a contiguous block benefits primarily public safety systems by providing Nextel enhanced technical solutions to prevent interference

CONCLUSION:

Incremental additional contiguous spectrum at 800 MHz enables Nextel to better prevent interference. This is a public interest benefit, not a windfall to Nextel

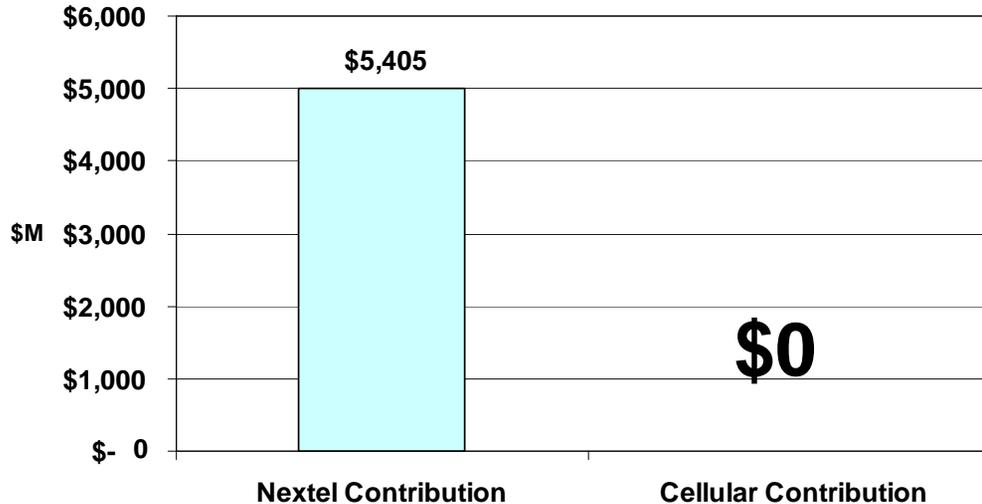
By the Numbers: Nextel Gets No Financial Windfall



- Nextel's overall commitments are substantial in order to ensure that interference is eliminated for Public Safety, Private Wireless and Nextel
- Interference elimination ensures the continued successful and profitable operation of Nextel's business

Cellular Carriers Contribute Nothing to Solve Interference

AWE, Cingular, Verizon, Alltel, and others get a virtual free ride



Only The Consensus Plan:

- ◆ Eliminates cellular only - public safety interference
- ◆ Virtually eliminates cellular/Nextel – public safety interference
- ◆ Advances and facilitates mitigation if interference does occur
- ◆ Cellular carriers contribute \$0 to retuning and \$0 to public safety*
- ◆ Unlike Nextel and most public safety and private wireless incumbents, cellular carriers do not have to retune their own systems

*Consensus Plan technical rules would require additional filtering on some cellular base stations at minimal cost.

Cellular A Band Gets a Windfall



- ◆ The FCC is phasing out the analog cellular service mandate
- ◆ Effective February 18, 2008, cellular operators no longer have to offer analog service
- ◆ Typically, cellular operators reserve the lower channels in their block for analog use
- ◆ Cellular A band operators provide analog on their channels closest to the NPSPAC public safety channels
- ◆ When the analog requirement disappears, Cellular A band operators will deploy broadband technologies on these channels. Without 800 MHz realignment, cellular A broadband deployment would exponentially increase interference on the adjacent NPSPAC public safety channels, thereby impeding broadband deployment
- ◆ The Consensus Plan relocates the NPSPAC public safety channels to the far end of the 800 MHz band. This enables cellular A block carriers to deploy advanced broadband service in lieu of less efficient analog service without increasing the probability of interference to public safety systems
- ◆ The Consensus Plan gives cellular A band carriers a virtual free ride on a permanent public safety interference solution and a valuation windfall

So -- Why does cellular oppose the Consensus Plan?



The Answer: To maintain a competitive advantage over Nextel

- ◆ Nextel's 800 MHz channels are interleaved with public safety channels more than those of the cellular licensees; Nextel is involved in approximately two-thirds of reported interference cases
- ◆ The cellular carriers want to keep Nextel embroiled in interference resolution, rather than compete head-to-head on a level playing field
- ◆ The cellular carriers fear Nextel. They seek advantage through regulatory manipulation despite the increasing risk to public safety of death, injury, and economic loss due to an inability to communicate

Verizon's Valuation: A flawed and disingenuous analysis



Points from Verizon Study	Facts	Conclusion
10 MHz of 1.9 GHz spectrum valued at \$5.3 B by Kane Reece study	The highest net amount ever bid (but never received) for 10 MHz of spectrum at 1.9 GHz is \$3.3 B in the C Block auction. The highest amount actually paid to the FCC is \$1B	Verizon 1.9 GHz valuation is an irrational appraisal generated by a flawed methodology
Nextel's 800 and 900 MHz spectrum is encumbered and is therefore less valuable	Nextel generates the highest operating income <u>and</u> lowest customer churn than any other carrier using its "encumbered" spectrum	No discount should be applied to Nextel's spectrum holdings
1.9 GHz spectrum Nextel would obtain is superior to 800 MHz spectrum	<p>Incorrect: 1.9 GHz spectrum Nextel would obtain is encumbered, requiring at least \$165 M to relocate incumbents</p> <p>1.9 GHz has inferior propagation characteristics, requiring 2 to 3 times more cell sites than 800 MHz</p> <p>No equipment currently exists to operate in the "G Block". Will require new equipment development. Also means no roaming with the millions of existing 1.9 GHz PCS subscribers</p>	<p>The 1.9 GHz spectrum has both pros and cons; it is not superior spectrum</p> <p>Nextel will incur significant cost to retune 1.9 GHz incumbents; the spectrum has inferior propagation characteristics</p> <p>Nextel will have to fund development costs for new infrastructure and handsets to operate at 1.9 GHz for the "G Block"</p>

Nextel has over seventeen years of conducting spectrum transactions which provides solid credibility for estimating spectrum value

The Consensus Plan – The Only Effective Solution



	Consensus Plan	UTC/CTIA Proposal
Proactive Interference Remedy?	Yes – Attacks the root cause of the problem by realigning the band and establishes technical rules for additional protection	No – Reactive and “puts Public Safety communications, officers and the public at continuing risk of interference” (NPSTC)
Fund Public Safety Costs?	Yes – Public safety and private wireless relocation costs covered by \$850M Nextel commitment	No – “imposes unfunded financial obligations on Public Safety” (NPSTC)
More Public Safety Spectrum?	Yes – 2.5+ MHz at 800 MHz and 4 MHz at 700 MHz – promotes Public safety interoperability and economies of scale	No – no additional spectrum for Public Safety
Fair deal?	Yes – The Consensus Plan is a complete solution and treats all stakeholders– public safety, cellular carriers (including Nextel), private wireless users – fairly. It cures interference from commercial systems to public safety users permanently, with no burden on taxpayers, and provides public safety with greatly needed additional spectrum	No – Incomplete solution that continues to place the burden on public safety to mitigate interference, increasing costs to public safety and ultimately the taxpayer