



Wiley Rein & Fielding LLP

1776 K STREET NW
WASHINGTON, DC 20006
PHONE 202.719.7000
FAX 202.719.7049

Virginia Office
7925 JONES BRANCH DRIVE
SUITE 6200
McLEAN, VA 22102
PHONE 703.905.2800
FAX 703.905.2820

www.wrf.com

June 21, 2004

R. Michael Senkowski
202.719.7249
msenkowski@wrf.com

Via Electronic Filing

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

Re: **WT Docket No. 02-55**

Dear Ms. Dortch:

Verizon Wireless hereby submits for the record the two attached newspaper articles: (1) *U.S. Plans to Sell Big Chunk of Wireless Spectrum in 2005*, WALL ST. J., June 17, 2004, at D4; and (2) Jesse Drucker & Anne Marie Squeo, *Interference Call: Nextel's Maneuver for Wireless Rights Has Rivals Fuming*, WALL ST. J., Apr. 19, 2004, at A1. These articles confirm that spectrum in the 1.9 GHz band is uniquely valuable and should be sold at auction.

Sincerely,

/s/

R. Michael Senkowski

6/17/04 Wall St. J. D4
2004 WL-WSJ 56932221

The Wall Street Journal
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Thursday, June 17, 2004

U.S. Plans to Sell Big Chunk Of Wireless Spectrum in 2005

WASHINGTON -- The federal government is planning a January auction of wireless spectrum that is expected to yield billions of dollars from major mobile-phone companies eager to offer new and improved services. The Federal Communications Commission is expected to announce, as soon as this week, that it will make available more than 2,400 megahertz of spectrum, including the chunk it recently retrieved from NextWave Telecom Inc. In all, about 234 licenses -- of which 155 used to belong to NextWave -- will be sold to the highest bidder, according to people familiar with FCC plans.

FCC and industry officials liken spectrum demand to the 1800's "Gold Rush" because there are so many more prospectors than availability. In the past decade, the demand for spectrum -- the limited number of electromagnetic frequencies that circle the earth and are used to transmit sound, data and television -- has exploded.

Wireless companies big and small are clamoring for more bandwidth to meet increasing customer demand for gadgets such as handheld devices that search the Internet and cellular phones that beam pictures. Such new services soak up more space in the spectrum than traditional cellphone calls.

Next year's auction is likely to attract many of the nation's biggest wireless companies, including Nextel Communications Inc., Sprint Corp., and T-Mobile USA Inc.

Verizon Wireless, a joint venture of Verizon Communications Inc. and Vodafone Inc., and Cingular Wireless, owned by BellSouth Corp. and SBC Communications Inc., also likely would seek the lucrative airwaves, along with others, industry analysts said.

"Those NextWave licenses have been in purgatory for nine years, and this chunk is particularly valuable for almost any application," said Scott Cleland, chief executive of Precursor, a Washington investment-research firm. Among the licenses coming available are those for Los Angeles, San Diego, Seattle, Denver and St. Louis, among others.

The airwaves in question center on the 1.9-gigahertz range of spectrum, a highly attractive area that allows for more efficient use of the bandwidth than conventional cellular service. That's the same range from which Nextel is seeking 10 megahertz as part of a deal intended to solve interference problems between the company's phones and public-safety communications equipment. The FCC, which manages spectrum allocation for commercial uses, hasn't made a decision on that, an FCC spokesman said.

In April, the FCC resolved an eight-year fight with NextWave that allowed it to get back most of the unused spectrum the company had won in an auction in 1996. The company had agreed to pay \$4.7 billion for the licenses, but it ran into financing problems almost immediately. It filed for bankruptcy protection and fought the FCC all the way to the Supreme Court when the commission tried to repossess the much-sought licenses.

As part of the recent settlement, NextWave, based in Hawthorne, N.Y., held on to some of the licenses, which it plans to sell on its own to raise funds in its effort to emerge from bankruptcy proceedings.

----- INDEX REFERENCES -----

NEWS SUBJECT: (New Product Approvals (CAPPRO); Regulation/Government Policy (C13); Corporate/Industrial News (CCAT); Federal Communications Commission (USA) (GFCC); Science/Technology (GSCI); New Products/Services (C22); Political/General News (GCAT); Independent Agencies/Regulatory Bodies (GINDA); Politics/International Relations (GPIR); Domestic Politics (GPOL))

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Monday, April 19, 2004

Interference Call: Nextel's Maneuver For Wireless Rights Has Rivals Fuming

Cellphone Company, Seeking Better Spectrum, Wraps Itself in 9/11 Patriotism

A Speech by Rudy Giuliani

By Jesse Drucker and Anne Marie Squeo

For years, when police officers, fire officials and emergency medical technicians tried to figure out why their urgent radio messages were getting jammed, they often found the same culprit: Nextel Communications Inc. The problem was that Nextel was serving millions of cellphone customers via a hodgepodge of radio frequencies. Often, they jumped right up against the frequencies that public-safety departments across the nation rely on. The result: When emergency messages raced through the airwaves, they sometimes met interference from Nextel's cellphone towers.

Initial efforts to get Nextel to fix the problem were frustrating. " 'Too bad' was the attitude," says Joseph Hindman, technology director of the Scottsdale, Ariz., police department. Mr. Hindman spent months as technology director in Phoenix tinkering with car antennas and replacing equipment to address the glitches. When Nextel fixed the problem in one part of town, it soon cropped up elsewhere.

Today, Nextel is using the problem to push for an ambitious deal from federal regulators that has its rivals up in arms. It has offered to give up all of its interfering frequencies, in return for two big chunks of new radio spectrum worth billions of dollars.

In an audacious strategy, Nextel has enlisted the support of public-safety officials who used to decry its interference, and joined their chorus of complaints. Wrapping itself in post-Sept. 11 patriotism, Nextel now argues that it needs new spectrum to protect the lives of police and firemen on the front lines of homeland security.

"If the FCC votes against the plan, it's not like they're voting against Nextel, it's like they're voting against public safety. In this climate, it makes it hard to vote against it," says Blair Levin, a former FCC chief of staff and now an analyst for Legg Mason Wood Walker Inc., a major Nextel shareholder.

To sell the plan, Nextel has offered to pay \$850 million to emergency officials and others to upgrade their equipment. It spent \$25 million setting up a foundation to fund public-safety organizations and created a Web site so they could flood Washington with letters of support. It hired former New York City Mayor Rudolph Giuliani and sought to link itself with Sept. 11's heroes by sponsoring a prominent documentary that other advertisers had shunned.

Its competitors, and some public-safety officials, claim Nextel's bid is a cynical effort to make a business opportunity out of the aftermath of Sept. 11. They say the government should auction new spectrum to the highest bidder, not award it to Nextel.

Federal Communications Commission officials are in the final stages of drafting a

proposal for resolving the issue and are expected to disclose it in coming weeks. People familiar with the commission's deliberations expect it to approve a version of Nextel's plan. The FCC is likely to ask Nextel to pay at least \$2 billion for the new spectrum, on top of whatever it costs to upgrade equipment for public safety and other users affected by the switch. Some rivals contend it is worth billions more.

Nextel stands by its proposal and its methods for garnering support. "It's the only solution that will permanently resolve interference at no cost to the taxpayer, with the added benefit that public safety get the additional spectrum they need," says Elizabeth Brooks, a Nextel vice president. "We are proud of our relationship with public safety. It existed long before the . . . plan emerged."

All this comes at a critical time for Nextel. Descended from small two-way dispatchers of truck drivers and construction crews, it has grown into the nation's sixth-largest cellphone company, with 12.9 million subscribers. Its shares, among the most heavily traded on the Nasdaq Stock Market, have risen nearly tenfold since July 2002. Nextel has prospered with its popular "push to talk" technology, which lets people use their cellphones like walkie-talkies. But as rivals try to match that feature, Nextel needs better spectrum to easily compete on other services, such as higher-speed wireless Web surfing.

Since well before Sept. 11, 2001, Nextel has suffered from its unusual collection of rights over radio waves, the medium by which cellphone calls as well as television and radio programs are transmitted. Because the company built itself by buying a mishmash of radio-wave licenses, it ended up with small slices of spectrum interspersed with slices used by police, power companies and others. As Nextel has grown, so has the interference problem.

One way to fix it is go to through the FCC, which doles out almost all spectrum in the U.S. With the rapid growth of electronic devices, battles over spectrum have become fiercer in recent years.

On the day before Thanksgiving in 2001, Nextel proposed to the FCC to give up its many scattered slices of spectrum within the 800-megahertz band in exchange for a wider chunk there as well as additional spectrum in a different band. The plan would clear up interference, and Nextel offered \$500 million to police departments and other public-safety agencies so they could upgrade their gear to work on their new frequencies. Until then, Nextel had been doing ad hoc repairs around the country in response to interference, as well as holding meetings with the FCC to figure out how to address the problem.

The proposal set off outrage among competitors, who thought Nextel was offering too little for the valuable spectrum. "I give them a lot of points for cleverness," says Brian Fontes, the top lobbyist for Cingular Wireless and a former FCC official.

Meanwhile, Nextel set out to burnish its credentials as a friend of public safety. In February 2002, it announced it would underwrite a Sept. 11 documentary by a pair of French filmmakers broadcast on CBS.

Nextel got Mr. Giuliani involved in May 2002. He was already a fan. The Nextel phone he used on Sept. 11, which functioned during that day, is now in the Smithsonian National Museum of American History.

In July, Nextel announced it was spending \$25 million to set up a foundation to donate to public-safety groups. The money was intended for systems to identify the locations of people calling 911 from their cellphones. Nextel's foundation has committed \$13.4 million to another foundation, established by the Association of Public-Safety Communications Officials, or APCO.

APCO would soon become the biggest backer of Nextel's spectrum-swap plan. That support had nothing to do with Nextel's donation for the emergency-number system, both APCO and Nextel say. Nextel notes that the donation agreement came before it made its spectrum proposal. "There's no relationship between these two things," says Robert Gurss, APCO's top lobbyist. He points to his group's opposition to an

unrelated Nextel proposal. "If we were in their back pockets, we wouldn't be doing that," he says.

Robert Foosaner, Nextel's chief lobbyist and a former FCC bureau chief, says the donation was too small to influence APCO, given the large scope of the proposed 911 improvements. "If you think we can buy the public-safety communication officers that have an \$8 billion problem with \$25 million, you're drinking Cingular's Kool-Aid," he says.

Public-safety officials say they support Nextel's spectrum swap simply because they need Nextel's money to upgrade their radios and stop interference. "We just want to fix the problem," says Harlin McEwen, president of the International Association of Chiefs of Police.

Mr. Foosaner says Giuliani Partners LLC was hired primarily to help market phones to public-safety organizations, rather than to promote the spectrum swap. That is disputed by Michael Hess, senior managing director for Giuliani Partners. "The main thrust of our work was the spectrum project," he says. According to Mr. Hess, Mr. Giuliani made several speeches "saying that 9/11 and other emergencies such as last August's blackout showed that the [interference] problem needed to be improved." One speech was in August 2002 at an APCO convention in Nashville, Tenn.

Giuliani Partners received options covering 1.2 million shares of Nextel Class A stock in the third and fourth quarters of 2003 for its work, according to Nextel.

The same month as Mr. Giuliani's Nashville speech, Nextel submitted a new version of its proposal to the FCC dubbed the "Consensus Plan." It increased the proposed payout to public-safety officials for equipment upgrades to \$700 million, and added \$150 million for other users affected by interference.

And it had another key change: The company asked for new spectrum in the sought-after 1900-megahertz frequency, rather than in the 2100-megahertz frequency as it originally requested. The lower frequency is considered by some to be more valuable because existing cellphone equipment would need only slight alterations to work on it. Standard cellphone service isn't currently offered over 2100 megahertz.

Public-safety officials, seeking support for the spectrum swap, asked Nextel to help them set up a Web site. The site, consensusplan.org, includes a map of the U.S. with interference problems broken down by congressional district. There's also a page for filing form letters of support, hundreds of which now fill the FCC's case docket.

Nextel's role in setting up what's called the Project Consensus Web site isn't obvious. The company's support for the plan is mentioned deep within the site. The "About Us" portion of the site merely describes Project Consensus as "formed to gather and connect support for the Consensus Plan by ensuring that the FCC hears the growing voice of concerned citizens and the public safety community."

Over the past year and a half, four major public-safety groups have been working with Nextel officials in Washington. They have talked to congressional representatives and FCC officials and have met with reporters around the country to get the word out.

Nextel "took a very bad situation . . . and came up with a plan with us to solve the problem and also address some of their needs at the same time," says Mr. Gurss, the APCO lobbyist. "I don't have a problem with that."

(MORE)

Nextel's opponents have sought to assemble their own public-safety alliances. Prodded by Verizon Wireless, the Fraternal Order of Police and the Federal Law Enforcement Officers Association recently sent letters to President Bush opposing Nextel's plan. "If it's a problem at all -- and no one knows how big a problem it really is -- then it might be a good idea to do some intelligent measuring before we rush forward on this," says James Pasco Jr., executive director of the Fraternal

Order of Police.

The FCC says it hasn't done an independent analysis to document the extent of the interference. So far, the only way to do so is through reports of problems, and APCO says it has tracked down almost 900 of these. Nextel and most public-safety groups say this is just a small sampling of the problem, which Nextel says is also partly caused by other cellular carriers.

John Muleta, chief of the FCC's wireless bureau, says the agency has three goals as it makes its decision: "Solve the public-safety problem. Treat the licensees as equitably as possible. And employ sound principles of spectrum management. We can't be doing this again in 10 years."

Nextel's rivals say there's nothing equitable about handing 10 megahertz of spectrum to Nextel. Verizon Wireless says Nextel's proposal would boost the value of Nextel's total spectrum by \$7.2 billion. That's far more than the upwards of \$2 billion or so that the FCC is preparing to charge Nextel, according to people familiar with the commission's thinking. An analysis by Legg Mason, which is Nextel's second-largest shareholder, with 8.9% of Class A common stock, puts the gain to Nextel at about \$3 billion.

Given the demand for new spectrum, any spectrum licenses ought to be auctioned off to the highest bidder, Nextel's competitors say.

To be sure, Verizon Wireless and Cingular Wireless own spectrum licenses worth billions of dollars that they received free from the federal government when the FCC doled out the original cellular spectrum licenses to incumbent local phone carriers in the early 1980s. Nextel says it needs replacement spectrum so it can keep serving its customers during the switch.

It's a tough choice for the FCC. It doesn't want to upset tens of thousands of police and firefighters, especially at a time when President Bush is stressing homeland security. And the offer by Nextel to pay for the police to upgrade their equipment is appealing, because the FCC can't come up with the money otherwise. If it auctioned the spectrum, the money would go into the government's general fund and wouldn't be under FCC control.

But regulators also don't want to be accused of a corporate giveaway. They're still trying to calculate how much to charge Nextel. As a compromise, FCC officials are also exploring offering Nextel spectrum in the less-desirable 2100-megahertz band, according to people familiar with the matter.

(See relayed letters: "Letters to the Editor: The FCC and Public Safety Radio Interference" -- WSJ April 23, 2004)

----- INDEX REFERENCES -----

NEWS SUBJECT: (New Product Approvals (CAPPRO); Regulation/Government Policy (C13); Corporate/Industrial News (CCAT); Political/General News (GCAT); Law Enforcement (GHOME); Science/Technology (GSCI); Page-One Story (NPAG); New Products/Services (C22); Content Types (NCAT))

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