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July 26, 2011

Marlene H. Dortch.
Secretary
Federal Communications Commission
445 Twelfth Street, S.W., Room TW-A325
Washington, DC 20554

Re: *Applications of AT&T Inc. & Deutsche Telekom AG for Consent to Assign
or Transfer Control of Licenses & Authorizations*, WT Dkt No. 11-65
REDACTED – FOR PUBLIC INSPECTION

Dear Ms. Dortch:

In previous material submitted to the Commission and the Department of Justice, AT&T and T-Mobile USA described AT&T's unusually severe capacity constraints and explained that they arise from several factors, including skyrocketing data usage on its network, the unusually high percentage of its customers with smartphones, and its need to support three generations of technology. Some parties have speculated (1) that AT&T could have done more in the past to improve network efficiency and, in particular, to "migrate" its 2G (GSM) customers faster to more spectrally efficient 3G and 4G (UMTS and LTE) technologies and (2) that AT&T could somehow replicate the efficiency benefits of this transaction by expediting its future migrations of customers to UMTS or LTE. In response to Staff inquiries, AT&T Inc. and Deutsche Telekom AG (collectively, the "Applicants") are jointly filing the attached white paper, which provides additional evidence and explanation showing why these speculations are baseless and wrong.

As the paper explains, AT&T has already taken extraordinary steps to hasten the migration of customers from one technology to the next and then taking spectrum away from the previous generation of technology to support the next generation, as well as more generally to optimize the spectral efficiency of its network. For example, in markets with congested UMTS networks, AT&T has freed up additional 10 MHz blocks of spectrum for UMTS by giving targeted GSM customers incentives to migrate. AT&T has also responded to soaring demand for sophisticated mobile broadband services by taking significant steps to ramp down its GSM network, including stopping the sale of GSM devices to individual retail consumers of AT&T postpaid services in November 2010. In part because of these efforts, the number of AT&T's individual customers using GSM handsets has dropped by nearly *60 percent* in just two-and-a-half years.

But customer migration is an inherently complex and lengthy process that requires many tightly calibrated steps. For a variety of reasons, AT&T could not address its UMTS capacity constraints by accelerating the pace of migration still further. As history demonstrates, even free

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handset offers and other extraordinary inducements are insufficient to overcome the reluctance of millions of customers to trade in their familiar GSM devices. Further, AT&T has *already* redeployed much of its GSM spectrum to UMTS, and it is now running out of additional GSM spectrum it can redeploy. In addition, AT&T studies have found that, when customers upgrade from GSM to a more data-friendly UMTS service, they increase their data consumption at a rate that far surpasses the efficiency gains of serving customers using UMTS. And, although AT&T's imminent LTE launch will help relieve UMTS congestion in the long term, in the short-to-intermediate term, customer migration will not keep pace with the explosive traffic growth on AT&T's UMTS network from the enormous base of remaining customers.

One of the chief benefits of this transaction is that it will create the extra network capacity—the functional equivalent of new spectrum—that will enable AT&T to migrate customers from GSM to UMTS and LTE without significantly degrading service to consumers. Thus, as the attached paper demonstrates, accelerating customer migration cannot resolve AT&T's capacity issues and would not remotely be a substitute for this transaction.

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In accordance with the First and Second Protective Orders in the above-referenced proceeding,¹ the Applicants are filing two redacted copies (and a further redacted copy via ECFS) of the white paper. An unredacted version of this submission is being filed contemporaneously with your office under separate cover. The Applicants are also submitting two copies of the Highly Confidential filing to Kathy Harris of the Wireless Telecommunications Bureau or her designee under separate cover.

If you have any questions or require further information, please contact me. Thank you for your assistance.

Sincerely,

/s/ Samir Jain

Samir Jain

Enclosure

¹ *In re Applications of AT&T Inc. & Deutsche Telekom AG for Consent to Assign or Transfer Control of Licenses and Authorizations*, WT Dkt No. 11-65, Protective Order, DA 11-674 (WTB rel. Apr. 14, 2011); *In re Applications of AT&T Inc. & Deutsche Telekom AG for Consent to Assign or Transfer Control of Licenses & Authorizations*, WT Dkt No. 11-65, Second Protective Order (Revised), DA 11-1100 (WTB rel. June 22, 2011), *modified*, DA 11-1214 (WTB rel. July 19, 2011) (“Second Protective Order”).