

June 4, 2010

FCC Launches Inquiry Into Broadband Speeds

Amidst the release of a survey that shows 80% of U.S. broadband consumers are ignorant of their download speeds, the FCC said Tuesday it would recruit 10,000 volunteers for tests to assess residential broadband speeds and the extent to which those speeds correspond with the advertised claims of carriers. In a separate but related initiative, the agency also issued a public notice that seeks comment on the measurement of mobile wireless broadband speeds. Both efforts, said FCC Consumer and Governmental Affairs Chief Joel Gurin, are intended to give the FCC a clearer picture of how U.S. broadband networks actually perform as the agency begins to implement the National Broadband Plan. Published on Tuesday, the survey covers 3,005 broadband users who were polled by Abt SRBI, Inc. and Princeton Survey Research Associates between April 19 and May 2. Although four of five respondents confessed to being uncertain of the speed of their broadband connection, 71% of polled users expressed confidence that they were receiving download speeds as fast as those advertised by their broadband providers. A whopping 91% of broadband users also said they were somewhat or very satisfied with their residential service, whereas 71% of mobile smart phone users said they were similarly pleased with their wireless broadband service. Calling the survey results “striking,” Gurin asserted that “the big picture here is knowing what you’re paying for.” To help that picture come into focus, the FCC said it would partner with British testing firm SamKnows Limited to install equipment in 10,000 volunteer homes that would measure upload and download speeds and the impact of gaming, video, voice-over-Internet protocol and similar applications upon broadband performance, while taking into account factors such as old routers, PC memory and processor speeds. The FCC expects to issue test results later this year in its “State of Broadband” report. Parties will also have until July 1 to comment on a companion notice that seeks input on the best methods of measuring mobile broadband speeds, how speed measurements can be used to improve wireless broadband service, and what information carriers should convey to consumers about mobile broadband service speeds. Denying that the initiative represents a first step toward regulation of the wireless broadband sector, Gurin stressed: “what we are totally focused on now is measuring speed in a way that is helpful to consumers and the FCC.”

FCC Official Warns Delay In D-Block Reauction Could Be Costly

In remarks following a New America Foundation (NAF) event on Wednesday, FCC Public Safety and Homeland Security Bureau Chief Jamie Barnett warned that further delays in reauctioning the 700 MHz D-block to a commercial wireless licensee could more than double the projected \$6.5 billion cost of building a national D-block broadband network that, under a current FCC proposal, is slated to be shared by commercial and public safety users. Barnett delivered his comments as House members continue deliberations on a bill, introduced in April by Rep. Peter King (R-NY), that would require the FCC to assign D-block spectrum directly to public safety entities. At the gathering hosted by the NAF, Barnett and FCC Chief Technologist Jon Peha offered a glimpse of a soon-to-be-released public safety spectrum capacity analysis. The document concludes

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that a 10 MHz swath of spectrum assigned to the Public Safety Spectrum Trust near the 700 MHz D-block is sufficient to meet public safety broadband needs as long as public safety agencies are also given priority access to commercial D-block spectrum. Defending the FCC's plan, Barnett maintained that there would be a "brief technological window" during which the commercial auction winner would be able to time D-block network construction with the deployment of fourth-generation wireless broadband systems to minimize costs. Declaring it "critical" that the FCC launches proceedings by this fall to begin the auction process, Barnett said further delays could cause the commercial D-block winner to miss the aforementioned window which, in turn, could force network construction costs to skyrocket beyond \$16 billion. Although a T-Mobile USA official agreed that the FCC's auction plan "has benefits for public safety and [is] pro-competitive," Steve Sharkey, the senior director of spectrum policy at Motorola, countered that the commercial D-block licensee is likely to cause interference to adjacent public safety users who, in the results of an analysis conducted by Motorola, would also find that their current spectrum allotment is insufficient to meet their broadband needs "even for day-to-day events."

AT&T Scraps Unlimited Wireless Data Plan

As anticipated, AT&T said Wednesday it will soon replace its unlimited wireless data plan with a series of metered pricing tiers that charge subscribers according to the number of megabytes they consume on a monthly basis. The new rate schedule will impact new AT&T smart phone subscribers and will go into effect simultaneously with the release of Apple's upgraded iPhone model. (Current AT&T customers will be able to keep indefinitely their existing data plans that provide unlimited usage for \$30 monthly.) AT&T's move also provides the first evidence of a long expected industry-wide shift toward tiered data pricing as the proliferation of smart phones with sophisticated applications and burgeoning subscribership to wireless data services combine to strain increasingly scarce supplies of bandwidth. (In an interview last month with the Wall Street Journal, Lowell McAdam, the CEO of U.S. market leader Verizon Wireless, acknowledged that his company is also considering usage-based pricing built on "buckets of megabytes" as he predicted that "the old model of one price plan per device is going to fall away.") Starting Monday, new AT&T smart phone customers will be given their choice of two data plans. The first, priced at \$15 per month, will cover a maximum 200 megabytes of data traffic per month, equating to 1000 e-mails without attachments, an additional 150 e-mails with attachments, access to 400 web pages, the ability to upload 50 photos, and up to 20 minutes of streaming video. According to AT&T, 65% of current data customers use less than 200 MBs per month, and customers who exceed that amount will be given the option to purchase an additional 200 MBs for \$15. Dubbed "DataPro," the second plan encompasses 2 gigabytes of data usage at a monthly rate of \$25. DataPro subscribers who exceed the 2 GB allotment will be able to purchase additional 1 GB increments at \$10 each. New users of the Apple iPad will be required to subscribe to DataPro, which also offers iPad and iPhone customers the option of "tethering" their wireless devices to a personal computer for an additional monthly charge of \$20. Anticipating the shift toward greater data usage, AT&T and Verizon announced cuts to the prices of their unlimited voice calling plans early this year. Noting that the new rates will reduce the cost of service for many data customers, AT&T wireless operations chief Ralph de la Vega predicted, "I think what it's going to do is bring more people into the smart phone marketplace."

EC Digital Agenda Calls For EU-Wide Broadband Access By 2013

Lamenting that nearly a third of Europeans have yet to surf the World Wide Web, EC Competition Commissioner Neelie Kroes has outlined an ambitious agenda for the European Union (EU) that calls for the expansion of basic broadband access service throughout the EU by 2013 and that by 2020 would extend high-speed broadband of at least 30 Mbps to all Europeans and ultra-high speed services of at least 100 Mbps to half of Europe. In announcing the EC's Digital Agenda, Kroes cited statistics that show EU-wide broadband usage lagging behind that of the U.S. and top Asian markets such as South Korea and Japan. Currently, the EU's broadband penetration rate stands at 25%, and 30% of Europeans have never used the Internet. A mere 1% of Europeans have surfed the web via a fiber optic connection as compared to 12% of Japanese users and 15% of users in South Korea. Reaching out to so-called "digital virgins" in hopes of ensuring that "all have the opportunity to discover the wonders of the digital world," Kroes said the EC's agenda would focus on seven goals that would involve as many as 100 recommended actions and 31 separate pieces of legislation. Included among those goals are (1) the establishment of a single, EU-wide market for e-commerce with full cross-border e-authentication that would enable online shoppers easily to purchase products beyond their national boundaries, (2) the enactment of a "digital code" to cover the rights of web users, and (3) passage of laws to ensure greater online security and vigilance against cyber attacks. Pointing to

wide variations in broadband prices, access and quality among the 27 EU member states, a spokesman for the European Competitive Telecommunications Association emphasized that EC guidance “is critical to reinvigorate competition and ensure that the most fundamental single market principles, such as non-discrimination and access to bottleneck infrastructure at fair prices, are applied consistently across Europe.”

Telefonica Bids \$8 Billion For Vivo Stake

Three weeks after Portugal Telecom (PT) rejected an offer of €5.7 billion (US\$6.9 billion) for its stake in Brazilian wireless firm Vivo, joint venture partner Telefonica has returned to the bargaining table with an improved bid of €6.5 billion (US\$8 billion). The move by Telefonica constitutes a renewed attempt by Spain’s dominant telecom carrier to gain sole control of Vivo, the largest mobile phone operator in Brazil’s rapidly-growing wireless market. Currently, Telefonica and PT control Vivo through their joint venture, Brasilcel. Telefonica launched its initial offer of €5.7 billion for PT’s Brasilcel stake on May 10, but that offer was turned down by the PT board. Although Telefonica increased its offer upon receiving indications from certain PT shareholders that they would be willing to support a higher bid, the PT board stated Tuesday that Telefonica’s latest bid did not appear to reflect Vivo’s “strategic value.” PT officials have described Vivo as an integral part of the company’s core business and have said a departure from the Brazilian market would negatively impact PT’s long-term growth prospects. Like Telefonica, PT has also experienced stagnant revenue growth in its base European market and is reported to be keen on maintaining a foothold in a vibrant Brazilian sector where wireless subscribership surged by 17% during the past year alone. With respect to Telefonica’s revised bid, officials have confirmed that Telefonica is also giving PT the option of an immediate sale of its Brasilcel/Vivo stake or “executing the sale at PT’s sole discretion” over the next three years. If the offer succeeds, Telefonica intends to merge Vivo with its Brazilian fixed line carrier, Telesp. The PT board is expected to convene a meeting at which shareholders will vote on the bid.

Iridium Signs Contract For Next Satellite Constellation

Mobile satellite service (MSS) provider Iridium laid the groundwork for its next-generation global satellite network on Wednesday with the signing of an agreement with Thales Alenia Space that covers the design and deployment of 81 low-earth orbit (LEO) spacecraft. Valued at \$2.9 billion, the contract kicks off the world’s largest commercial space project which, ultimately, will replace Iridium’s existing fleet of 66 LEO spacecraft that were first deployed in 1998. In addition to entering into an Authorization to Proceed (ATP) that allows Thales to commence work immediately, Iridium also received a guarantee for \$1.8 billion of the project’s cost from French export credit firm Coface. That guarantee is expected to facilitate project financing from a syndicate of French and international banks, and Iridium has confirmed that any remaining monies needed for the project would come from the company’s own cash flow. Specifically, the contract encompasses the construction of 66 orbiting satellites, six in-orbit spares, and nine ground spares, with the first spacecraft slated for launch in 2015. Once launched, the satellites will provide a variety of advanced mobile voice and data services to Iridium customers on a global scale with an anticipated in-service life of 15 years. Applauding Wednesday’s events as “a great milestone in Iridium’s history, Iridium CEO Matt Desch proclaimed: “by entering into the ATP . . . and by securing export credit agency support of an amount sufficient to enable us to fully fund the project, we have completed critical steps in laying a strong foundation for Iridium’s future.”

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