



Department of Justice

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JUSTICE DEPARTMENT REQUIRES BELL ATLANTIC, VODAFONE AND GTE TO DIVEST WIRELESS PROPERTIES IN ORDER TO PROCEED WITH COMBINATION

Action Adds Divestitures in 34 Markets in 7 States Bringing Total Package to 96 Markets in 15 States

WASHINGTON, D.C. - The Justice Department today announced that it will require Bell Atlantic Corporation, Vodafone AirTouch Plc and GTE Corporation to divest wireless businesses as a result of Bell Atlantic's partnership agreement with Vodafone and its merger with GTE. The divestiture will resolve the Department's antitrust concerns about the combination of Bell Atlantic, Vodafone and GTE's domestic wireless assets.

The proposed divestiture package would replace a divestiture arrangement reached earlier this year between the Department, Bell Atlantic and GTE, and would include divestitures in 34 additional markets, likely making this the largest divestiture package ever required by the Antitrust Division in a consent decree. The divestitures would include the major metropolitan areas of San Francisco, Cleveland, Phoenix, Seattle, and Cincinnati.

In May 1999, the Antitrust Division filed a civil antitrust lawsuit challenging Bell Atlantic's merger with GTE, and also filed a proposed consent decree that would have required certain divestitures of overlapping wireless businesses. On September 21, 1999, Bell Atlantic agreed to form a partnership with Vodafone that will effectively combine Vodafone's U.S. wireless business with Bell Atlantic's and GTE's. On September 30, 1999, the Department, Bell Atlantic, and GTE jointly asked the Court to defer entry of the proposed consent decree to allow

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them to evaluate the impact of the Bell Atlantic/Vodafone partnership agreement on the terms of the decree.

The Department today filed papers in U.S. District Court in Washington, D.C. requesting permission to file a supplemental complaint. The supplemental complaint, along with a revised proposed consent decree, would supersede the original complaint and decree and would resolve the competitive overlaps created by the Bell Atlantic/Vodafone partnership in addition to the original Bell Atlantic/GTE merger. The proposed revised decree, if approved by the Court, would resolve the suit.

The revised decree now calls for divestitures in 96 markets in 15 states. The proposed merger of Bell Atlantic and GTE, and the partnership between Bell Atlantic and Vodafone, will lead to the creation of a coast-to-coast wireless network. The proposed consent decree will ensure that the creation of this national network will not increase concentration in any geographic market. The Department said the original proposal between Bell Atlantic and Vodafone, as well as Bell Atlantic and GTE, would have led to a loss of head-to-head competition in wireless mobile telephone services in these 96 markets.

“Wireless mobile telephones are increasingly becoming an important part of everyday life for an ever-growing number of Americans. It is important in this rapidly growing and evolving industry that we retain competitive choices for consumers so that they get the lowest prices as well as features and rate plans that best fit their needs,” said Joel I. Klein, Assistant Attorney General in charge of the Department’s Antitrust Division. “Without the required divestitures, competition would likely have been reduced, causing higher prices or lower quality wireless telephone services for potentially millions of current and future subscribers.”

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The revised decree requires Bell Atlantic, Vodafone and GTE to divest their interest in one of the two overlapping wireless businesses that they either already own or will own in the 96 geographic areas. Sixty-two of these areas were identified in the original divestiture package and 34 have been newly added to account for Vodafone's role in the combination. These additional markets include both Metropolitan Statistical Areas (MSA) and Rural Service Areas (RSA). MSAs are the 306 urbanized areas in the U.S. defined by the federal government that are used by the FCC to license cellular systems in urbanized areas. RSAs are the 428 areas defined by the FCC that are used for licensing cellular systems in rural regions of the U.S. outside of MSAs.

The newly added MSAs affected by the decree revisions are in: Arizona (Phoenix, Tucson); California (Salinas-Monterey-Seaside; San Diego; San Francisco; San Jose; Santa Rosa-Petaluma; Vallejo-Napa-Fairfield); New Mexico (Albuquerque); Ohio (Akron, Canton, Cleveland, Lorain-Elyria, Cincinnati, Dayton, Hamilton/Middleton, Springfield); Washington (Bellingham, Bremerton, Olympia, Seattle-Everett, Tacoma, Spokane). The newly added RSAs affected by the decree revisions are in: Arizona (Coconino); Idaho (Boundary; Idaho County); Montana (Lincoln); Ohio (Ashtabula, Mercer, Clinton); and Washington (Clallam, Okanogan, Gray's Harbor, Ferry).

Under the proposed revised decree, a combination of 58 MSAs and RSAs identified in the original decree may require additional divestitures given that both Bell Atlantic and Vodafone have an interest in a PCS system that competes with a GTE cellular system.

Bell Atlantic, headquartered in New York City, New York, had more than \$31 billion in revenues in 1998. It provides local telephone services in 13 states and the District of Columbia. Bell Atlantic also provides mobile wireless telephone service in its local exchange service region,

as well as in 18 additional states. Bell Atlantic is the nation's fourth largest wireless mobile telephone service provider, with about 7.5 million subscribers nationwide.

Vodafone, based in the United Kingdom, is the world's largest mobile telecommunications company. It has mobile operations in 24 countries on five continents, with more than 28 million proportionate customers. In the United States, Vodafone is the third largest wireless mobile telephone service provider with about 9.1 million proportionate subscribers in 25 states.

GTE, headquartered in Irving, Texas, had 1998 revenues in excess of \$25 billion. GTE provides local telephone service to retail customers in 28 states and also provides wireless mobile telephone service in 17 states. GTE is the nation's fifth largest wireless mobile telephone service provider, with about 6.9 million subscribers nationwide.

As required by the Tunney Act, the proposed consent decree will be published in the Federal Register, together with the Department's competitive impact statement, which will be filed with the Court shortly. Any person may comment on the proposed decree by submitting comments to the Department. After a 60-day comment period, the United States will reply to any public comments and seek entry of the decree by the Court.

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