

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of the Joint Application
of TracFone Wireless, Inc. (U4321C),
América Móvil, S.A.B. de C.V. and
Verizon Communications, Inc. for
Approval of Transfer of Control over
Tracfone Wireless, Inc.

Application 20-11-001

REBUTTAL TESTIMONY OF EDUARDO DIAZ CORONA

**CHIEF EXECUTIVE OFFICER, TRACFONE WIRELESS,
INC.**

ON BEHALF OF TRACFONE WIRELESS, INC.

APRIL 9, 2021

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I. Introduction

This testimony is submitted in support of the Joint Application of TracFone Wireless, Inc. (“TracFone”), América Móvil, S.A.B. de C.V. (“América Móvil”), and Verizon Communications Inc. (“Verizon”), for approval of the transfer of TracFone from América Móvil to Verizon (the “Transaction”). On March 12, 2021, I submitted testimony on behalf of TracFone in which I explained TracFone’s position in the prepaid marketplace and how the Transaction will make TracFone a stronger competitor by lowering its costs and increasing its ability to respond to marketplace developments, such as by bringing new offers and technologies to market.¹ On April 2, 2021, witnesses for the California Public Advocates Office (“Cal Advocates”) and The Utility Reform Network (“TURN”) submitted testimony regarding the Transaction in which they asserted that the Transaction will not benefit consumers unless the Commission’s approval of the Transaction is conditioned on a number of requirements. The purpose of my testimony today is to respond to various claims and to rebut certain incorrect assertions made specifically by Cal Advocates witnesses. In brief, the concerns set forth by the Cal Advocates witnesses are unfounded. The Transaction will provide significant benefits to consumers and the public interest generally, and will not result in any harms to consumers.

II. The Transaction Will Benefit Consumers

a. TracFone Has Repeatedly Passed Through Network Cost Savings to Consumers in the Form of Lower Prices and Improved Service

As discussed in my Opening Testimony, TracFone today faces significant competitive disadvantages relative to facilities-based competitors.² Because TracFone lacks a mobile

¹ Opening Testimony of Eduardo Diaz Corona, Chief Executive Officer, TracFone Wireless, Inc. On Behalf of TracFone Wireless Inc. (Mar. 12, 2021) (“Diaz Corona Testimony”).

² Diaz Corona Testimony at 9-15.

wireless network of its own, it must purchase network access from mobile network operators (“MNOs”), and accordingly faces significantly higher network costs than MNO-integrated competitors like Metro and Cricket. The competitive challenges that result from TracFone’s higher network costs are likely to be exacerbated going forward as consumer demand for data continues to grow.³ The Transaction will lower the combined company’s cost to serve TracFone customers, as Cal Advocates witness Dr. Lee Selwyn repeatedly acknowledges.⁴ With lower network costs, in particular, TracFone will have the ability to compete more aggressively, forcing competitors to respond and improving outcomes for both individual consumers and the public interest.

Despite recognizing that the Transaction will result in lower network costs, Dr. Selwyn asserts that consumers will not benefit from these cost savings.⁵ This assertion defies my experience managing this business in such a competitive market. TracFone always uses cost savings and improved offerings negotiated with MNOs to provide better offers to consumers and to better compete with vertically-integrated prepaid brands. The reason TracFone does this is straightforward: TracFone makes money by keeping its prices competitive and improving its offerings to win customers. If TracFone acted as Dr. Selwyn suggests – that is, by not passing cost savings or improved offerings on to consumers – it would lose out to its competitors and the better prices and offerings that they would undoubtedly bring to market. In a competitive market

³ Diaz Corona Testimony at 11.

⁴ *See, e.g.*, Public Advocates Office Testimony on the Proposed Transfer of Control of TracFone Wireless, Inc. to Verizon Communications, Inc.: Impacts on Competition in the Wholesale and Prepaid Retail Markets and Customer Impacts, Direct Testimony of Lee L. Selwyn (Apr. 2, 2021) (“Selwyn Testimony”) ¶ 14 (“The Transaction will allow Verizon to maintain TracFone operations at lower total cost due mainly to the ‘network cost savings’ that the to-be-acquired TracFone affiliate will realize when its cost of the underlying wholesale service is reduced from the prices it presently pays to Verizon (and other MNOs) to Verizon’s incremental costs, without any mark-up or profit component.”); *id.* ¶ 43 (“Migrating customers to the Verizon network benefits Verizon because it will save TracFone a lot of money”).

⁵ Selwyn Testimony ¶ 79.

like the mobile wireless market, providers have to find ways to pass along cost-savings and product improvements to customers in order to win customers' business. That is true today and it will remain true after the Transaction.

The following are just a few examples of lower prices and more attractive service offerings that TracFone has been able to pass through to consumers:

- In August 2020, [BEGIN TRACFONE CONFIDENTIAL LAWYERS ONLY] [REDACTED] [END TRACFONE CONFIDENTIAL LAWYERS ONLY] which was [BEGIN TRACFONE CONFIDENTIAL LAWYERS ONLY] [REDACTED] [END TRACFONE CONFIDENTIAL LAWYERS ONLY] The revised agreement provided TracFone with [BEGIN TRACFONE CONFIDENTIAL LAWYERS ONLY] [REDACTED] [REDACTED] [REDACTED] [END TRACFONE CONFIDENTIAL LAWYERS ONLY] For example, TracFone [BEGIN TRACFONE CONFIDENTIAL LAWYERS ONLY] [REDACTED] [REDACTED] [REDACTED] [END TRACFONE CONFIDENTIAL LAWYERS ONLY] and [BEGIN CONFIDENTIAL LAWYERS ONLY] [REDACTED] [REDACTED] [END TRACFONE CONFIDENTIAL LAWYERS ONLY] TracFone also [BEGIN TRACFONE CONFIDENTIAL LAWYERS ONLY] [REDACTED] [REDACTED] [REDACTED] [END TRACFONE CONFIDENTIAL LAWYERS ONLY] also enabled TracFone [BEGIN TRACFONE

CONFIDENTIAL LAWYERS ONLY] [REDACTED]
[REDACTED] **[END TRACFONE CONFIDENTIAL LAWYERS ONLY]** In short, TracFone used **[BEGIN TRACFONE CONFIDENTIAL LAWYERS ONLY]** [REDACTED]
[REDACTED] **[END TRACFONE CONFIDENTIAL LAWYERS ONLY]** to satisfy consumers' rapidly increasing demand for data.

- In December 2020, **[BEGIN TRACFONE CONFIDENTIAL LAWYERS ONLY]** [REDACTED] **[END TRACFONE CONFIDENTIAL LAWYERS ONLY]** The **[BEGIN TRACFONE CONFIDENTIAL LAWYERS ONLY]** [REDACTED] **[END TRACFONE CONFIDENTIAL LAWYERS ONLY]** enabled TracFone to introduce several new offerings that benefited consumers. For the **[BEGIN TRACFONE CONFIDENTIAL LAWYERS ONLY]** [REDACTED] **[END TRACFONE CONFIDENTIAL LAWYERS ONLY]** enabled TracFone to increase the data allowance on the \$39.99 plan from 14 GB to 20 GB and to increase the hotspot allowance on the \$49.99 plan from 10 GB to 30 GB. For the **[BEGIN TRACFONE CONFIDENTIAL LAWYERS ONLY]** [REDACTED] **[END TRACFONE CONFIDENTIAL LAWYERS ONLY]** enabled TracFone to introduce two new mobile hotspot plans, a 15 GB plan for \$34.99, and a 40 GB plan for \$49.99.
- In response to the COVID-19 pandemic, **[BEGIN CONFIDENTIAL LAWYERS ONLY]** [REDACTED]

[END CONFIDENTIAL LAWYERS ONLY] This gave TracFone the flexibility to temporarily offer lower prices on certain rate plans to retain customers who would otherwise have been unable to pay for their service. It further gave TracFone the flexibility to temporarily offer increased data allotments to customers on specified rate plans. TracFone passed the benefits **[BEGIN CONFIDENTIAL LAWYERS ONLY]** [REDACTED] **[END CONFIDENTIAL LAWYERS ONLY]** on to consumers in the form of reduced rates and higher data allotments.

- In December 2020, **[BEGIN CONFIDENTIAL LAWYERS ONLY]** [REDACTED] [REDACTED] **[END CONFIDENTIAL LAWYERS ONLY]** This **[BEGIN CONFIDENTIAL LAWYERS ONLY]** [REDACTED] **[END CONFIDENTIAL LAWYERS ONLY]** thus providing TracFone the capability to **[BEGIN CONFIDENTIAL LAWYERS ONLY]** [REDACTED] [REDACTED] **[END CONFIDENTIAL LAWYERS ONLY]**
- In December 2019, **[BEGIN TRACFONE CONFIDENTIAL LAWYERS ONLY]** [REDACTED] [REDACTED] **[END TRACFONE CONFIDENTIAL LAWYERS ONLY]** which allowed TracFone **[BEGIN TRACFONE CONFIDENTIAL LAWYERS ONLY]** [REDACTED] [REDACTED] **[END TRACFONE CONFIDENTIAL LAWYERS ONLY]**

In sum, TracFone always uses lower rates and improved wholesale terms, when it is able to negotiate them, to provide customers with improved offerings and/or lower prices. This is not generosity – it is an imperative driven by our desire to succeed in such a competitive marketplace. The Transaction does not change that imperative – in fact, as Verizon witnesses have testified, the ability to leverage lower network costs to offer better prices and services and compete more strongly for value conscious prepaid consumers is exactly why Verizon is investing over \$6 billion to make this acquisition.⁶

b. Prepaid Consumers Will Benefit From Faster Access to 5G and Other New Technologies

In my Opening Testimony, I described the lengthy negotiation delays that hinder TracFone’s ability to timely bring new offers and technologies to market.⁷ I explained that before TracFone can introduce new offerings, including 5G service and fixed wireless service, it must first reach an agreement with its host MNOs. And after reaching agreement with its MNO hosts, TracFone must often wait for those MNOs to build the necessary technologies to implement the agreed-upon new offerings. This process can sometimes take months, leaving TracFone at a competitive disadvantage as to its MNO-integrated rivals and depriving consumers of the benefits of such new offerings. In some cases, TracFone has been unable to reach

⁶ See Opening Testimony for Verizon Communications Inc. (Mar. 12, 2021) (“Verizon Opening Testimony”) at 4 (“The fundamental rationale for the Proposed Transaction is to enable the combined company to be a more effective competitor for value conscious prepaid consumers than either stands to be alone. Verizon believes that by acquiring TracFone, Verizon can grow its prepaid business by combining Verizon’s network—which can take on substantial incremental subscribers at low incremental cost—with TracFone’s existing and potential customers, its strong distribution channels, its brand recognition among value customers, and its employees base with deep experience in the prepaid business.”).

⁷ Diaz Corona Testimony at 12-15.

agreement at all with its host MNOs, thus completely preventing TracFone from providing certain offerings.

Cal Advocates witnesses Dr. Selwyn and Dr. Surabhi Karambelkar ignore these challenges when they dismiss benefits that the Transaction will provide to TracFone customers and prepaid consumers generally.⁸ But their position is not consistent with my experience managing this business. For example, as explained in my Opening Testimony, **[BEGIN**

TRACFONE CONFIDENTIAL LAWYERS ONLY] [REDACTED]

[END

TRACFONE CONFIDENTIAL LAWYERS ONLY] Post-Transaction, TracFone will no longer need to negotiate at arm's length with one or more MNOs before introducing new technologies or offers to customers. By eliminating these negotiations and the resulting delays, the Transaction will increase the speed with which new technologies and offers are provided to consumers.

Cal Advocates witness Dr. Karambelkar similarly ignores the challenges described above when dismissing the fixed wireless benefits that the Transaction will provide. As noted in my Opening Testimony, TracFone today **[BEGIN TRACFONE CONFIDENTIAL LAWYERS**

ONLY] [REDACTED]

[END TRACFONE CONFIDENTIAL

LAWYERS ONLY] By contrast, Verizon today offers fixed wireless service using both LTE and 5G technologies, and it provides a discount to consumers who bundle fixed wireless internet

⁸ See, e.g., Selwyn Testimony at ¶ 36 (“Unless Verizon and the other two MNOs have decided not to offer 5G services at wholesale to MVNOs, there is no linkage between this “5G” benefit and the proposed Transaction.”).

⁹ Diaz Corona Testimony at 15.

with mobile wireless service. Because it lacks the ability to offer fixed wireless service, TracFone cannot offer similar bundles today.

Furthermore, [BEGIN TRACFONE CONFIDENTIAL LAWYERS ONLY] [REDACTED]

[REDACTED] [END

TRACFONE CONFIDENTIAL LAWYERS ONLY] it would face delays as a result of the need to negotiate with one or more MNOs whenever it attempted to change its offerings.

Providing bundled service offerings like Verizon does today would be more challenging for TracFone on its own, because TracFone would need to renegotiate with its partner every time it desired to change the offering. The Transaction will eliminate these impediments, thus enabling the combined company to more easily offer fixed wireless service through TracFone.

Dr. Karambelkar dismisses expanded access to fixed wireless service as a benefit of the Transaction.¹⁰ But *consumers* value fixed-wireless packages, as demonstrated by the fact that they purchase it from those providers who can offer it now. Today, it remains out of reach for *all* TracFone customers unless they switch or otherwise go to a different provider for the service. Expanding access to fixed wireless service—which TracFone cannot offer today to *any* of its customers but will be able to offer post-Transaction—will make TracFone a stronger competitor and undoubtedly will benefit all consumers, even if they do not ultimately purchase the service from TracFone. Without the Transaction, TracFone might eventually be able to negotiate access to a fixed wireless service, but it is impossible to predict what kind of terms or price TracFone might be able to negotiate for or how competitive its offering will be. And in the intervening

¹⁰ Public Advocates Office Testimony on the Proposed Transfer of Control of TracFone Wireless, Inc. to Verizon Communications, Inc.: Impacts on Low-Income Customers in California (Apr. 2, 2021) (“Karambelkar Testimony”) at 38 (“If existing rates are used as a guide, these proposed benefits in the form of ‘home [I]nternet solutions’ will likely remain out of reach for TracFone’s and California’s low-income customers.”).

time, rivals will pull ahead and consumers will miss out on the benefits of increased competition. And even then, TracFone will still face all the difficulties associated with negotiating agreements with each of the MNOs that it faces today.

The Transaction will also improve TracFone’s access to handsets. TracFone today lacks the scale of Verizon and other MNOs, which can leave it at a disadvantage when it comes to acquiring handsets. With greater scale, MNOs and their integrated prepaid brands are better positioned to offer consumers better access to the newest, most innovative handsets. MNOs can also use their greater scale to negotiate volume discounts, thus enabling their owned prepaid brands to offer more competitive device pricing. As mentioned in my Opening Testimony, by way of example, “in February 2021, both Metro and Cricket offered customers who ported a number the LG Stylo 6 for free, while TracFone offered those customers an LG Stylo 5 (an older device) for \$49.99.”¹¹ As part of Verizon, TracFone will benefit from Verizon’s larger scale and be able to pass those benefits on to consumers.

c. Migrated TracFone Customers Will Benefit From Verizon’s High Quality Network

Cal Advocates witness Lucas Duffy raises concerns about the quality of Verizon’s network and claims that TracFone customers are unlikely to realize significant network benefits as a result of the Transaction.¹² I understand that Verizon witness Lynda Ng will be addressing Mr. Duffy’s concerns about Verizon’s service quality in greater detail.

¹¹ Diaz Corona Testimony at 10.

¹² Public Advocates Office Testimony on the Proposed Transfer of Control of TracFone Wireless, Inc. to Verizon Communications, Inc.: Impacts on Customer Access to Handsets, 5G Services, and Home & Internet Impacts on Service Quality and Customer Satisfaction (“Duffy Testimony”) (Apr. 2, 2021), § II.

As an MVNO that resells wireless service from Verizon, AT&T, and T-Mobile to consumers, TracFone has significant experience with the networks of all three nationwide MNOs. Based on this experience, TracFone has no concerns that its customers will receive lower quality network service as a result of the Transaction. TracFone’s data suggests that customers are extremely satisfied with the quality of Verizon’s wireless network. In fact,

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LAWYERS ONLY]

III. California Consumers Have Many Competitive Prepaid Options

a. Switching Costs for Prepaid Consumers are Low or Nonexistent

Dr. Karambelkar asserts that TracFone customers not currently served by Verizon “would certainly incur added costs” if they choose not to migrate to Verizon.¹³ As described more fully below, however, there is no reason why TracFone customers who are not served by Verizon today and who choose not to migrate to Verizon’s network will have to incur added costs. The prepaid segment is intensely competitive, and providers regularly promote offers that allow customers to switch their service to a new provider at little or no cost to the consumer. Once the Transaction is closed, I would expect other prepaid providers to take concrete steps to appeal to current TracFone customers and make it as easy as possible for those consumers to switch away from TracFone.

¹³ Karambelkar Testimony at 39.

First, Dr. Karambelkar suggests that some TracFone customers may need to purchase new handsets because their devices may not be compatible with a new provider.¹⁴ But this concern is entirely unfounded. TracFone customers who are not currently served by Verizon's network already have devices that are compatible with at least one network other than Verizon's. If they did not, they would not be able to receive service today. This means that it should be fairly easy for these customers to switch to another provider, if that is what they desire.

Additionally, prepaid providers such as Metro, Cricket, and Boost all regularly offer free phones to customers who switch from another provider. For example, Boost is currently offering multiple free phones to customers who port a number, including the Samsung Galaxy A21, the LG K 51, and the Moto G Fast.¹⁵ Cricket is also currently offering a number of free phones, including the LG Stylo 6, Motorola Moto G Power, and Samsung Galaxy A11.¹⁶ And Metro is likewise offering the LG Stylo 6 and Samsung Galaxy A21 for free to customers who switch.¹⁷ There is little risk that TracFone customers who are not served by Verizon's network today will need to incur switching costs if they choose not to migrate to Verizon.

Second, Dr. Karambelkar suggests that customers who choose not to migrate to Verizon will be forced to pay an activation fee when switching to a new provider, such as a \$15 activation fee charged by AT&T.¹⁸ But this ignores the fact that all major prepaid providers allow customers to activate service without charging an activation fee. For example, as shown in Figure 1, Metro is currently advertising a "bring your own phone" offer that does not require an

¹⁴ Karambelkar Testimony at 38.

¹⁵ <https://www.boostmobile.com/stores/offers.html?INTCID=HP:Wide:IS:Phone:Android:FreeA21#FreePhones> (last accessed Apr. 5, 2021).

¹⁶ <https://www.cricketwireless.com/current-phone-and-plan-deals/android> (last accessed Apr. 5, 2021).

¹⁷ <https://www.metrobyt-mobile.com/topbrandsgreatphones> (last accessed Apr. 5, 2021).

¹⁸ Karambelkar Testimony at 38.

activation fee. Figure 2 shows that Cricket does not charge customers an activation fee when they purchase online. And Boost’s Frequently Asked Questions page explains that “There is no activation fee if you activate a new phone using the activation PIN number that comes inside every new phone box.”¹⁹ As noted above, Boost offers free handsets to customers who switch.

In sum, switching from one prepaid provider to another is very easy for customers to do today – an outcome that is driven by the competitive marketplace – and there is no reason to think that will change moving forward. Given the prevalence of free handset offers among prepaid providers and the ability to activate service without incurring an activation fee, any concerns about consumer switching costs are misguided.

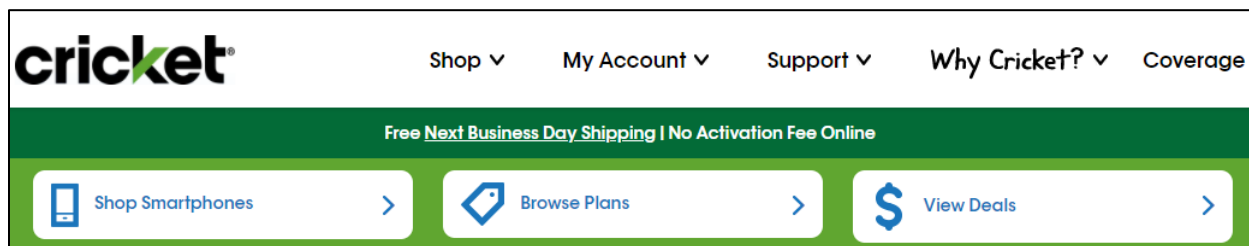
Figure 1: Metro “No Activation Fee” Offer²⁰



¹⁹ <https://www.boostmobile.com/support/faq/phones-devices/phone-activation.html> (last accessed Apr. 5, 2021).

²⁰ <https://www.metrobyt-mobile.com/bringyourphone> (last accessed Apr. 5, 2021).

Figure 2: Cricket “No Activation Fee” Offer ²¹



b. California Consumers Have Many Low-Cost Prepaid Options

Dr. Karambelkar states that “it is clear that TracFone’s brands offer plans that are competitively priced and often *less expensive* than prepaid plans offered by” competitors.²² TracFone prides itself on offering competitively priced prepaid plans, but its rate plans are by no means the least expensive offerings available to consumers. As described below, low-income consumers have a number of lower-priced alternatives to TracFone’s offerings across a range of analogous plans.

Dr. Karambelkar uses her Table 1 to compare the pricing of TracFone’s and competitors’ prepaid plans and purports to demonstrate that TracFone’s plans are often less expensive than competitors’ offerings.²³ However, her analysis is incomplete and her conclusions are therefore incorrect. Table 1 below presents a modified version of Dr. Karambelkar’s Table 1. In Table 1, I have highlighted in yellow the lowest-cost offering in each grouping identified by Dr. Karambelkar, and have included in red additional offerings not included in Dr. Karambelkar’s

²¹ <https://www.cricketwireless.com/> (last accessed Apr. 5, 2021).

²² Karambelkar Testimony at 21.

²³ Karambelkar Testimony at 21.

Table 1. As Table 1 demonstrates, providers other than TracFone offer lower prices in all three categories of plans Dr. Karambelkar identifies. For example:

- Among plans with 2-5 GB of data, T-Mobile offers the lowest-cost plan (\$15 for 2 GB) and Boost Mobile²⁴ offers the second lowest-cost plan (\$25 for 5 GB).²⁵

These low-cost offerings highlight how it is increasingly challenging for

TracFone to compete with the pricing offered by facilities-based carriers. For

example, the 2 GB T-Mobile plan costs consumers \$15, [BEGIN TRACFONE

CONFIDENTIAL LAWYERS ONLY] [REDACTED]

[REDACTED]²⁶ [END

TRACFONE CONFIDENTIAL LAWYERS ONLY]

- Among plans with 10-25 GB of data, Cricket, AT&T, Boost and T-Mobile all offer lower-priced plans than the \$45 Straight Talk plan that includes 25 GB of data. While only Straight Talk offers a plan with 25 GB of data for \$45 among the providers identified, Visible offers an unlimited data plan for just \$40.

Furthermore, Metro and Boost offer unlimited plans for \$50, with taxes and fees included. By contrast, Straight Talk's \$45 plan does not include taxes and fees.

With taxes and fees included, the price of the \$45 Straight Talk plan increases to \$51.96 when purchased at retail in San Francisco.

²⁴ Boost Mobile also offers a plan that includes 1 GB of data for \$10 per month. <https://www.boostmobile.com/expanded-plans.html?intnav=TopNav:Plans:PhonePlans#network> (last accessed Apr. 5, 2021).

²⁵ While TracFone brand Simple Mobile also offers a 3 GB plan for \$25, Simple Mobile's \$25 price does not include taxes, fees, and surcharges, while Boost Mobile's \$25 price does include these additional costs.

²⁶ TracFone Resp. to Cal Advocates DR T-4-14(a).

- Among plans with unlimited data, Dr. Karambelkar’s table shows TracFone brand Simple Mobile’s \$50 unlimited plan as the second lowest cost offering after Visible, which offers a \$40 unlimited plan. But Dr. Karambelkar fails to include \$50 unlimited plans offered by Metro and Boost Mobile. As shown in Figure 3, Dr. Karambelkar included Metro’s \$60 unlimited plan offering, but ignored Metro’s \$50 unlimited offering. Dr. Karambelkar similarly failed to include Boost Mobile’s \$50 unlimited offering, as shown in Figure 4. While Simple Mobile’s \$50 plan is ostensibly priced the same as the \$50 Metro and Boost Mobile plans, Metro and Boost Mobile’s pricing includes taxes and fees, while Simple Mobile’s does not. With taxes and fees included, Simple Mobile’s \$50 unlimited plan actually costs \$57.70 when purchased at retail in San Francisco.

Table 1: Modified Version of Dr. Karambelkar’s Table 1

Brand Name	High Speed Data per 30 Days	Price for Single Line	Taxes, Fees, Surcharge Included
Plans with Unlimited Voice Minutes, Texts, and 2-5 GB of Data			
Simple Mobile (TracFone Brand)	3 GB	\$25	No
Straight Talk (TracFone Brand)	5 GB	\$35	No
Cricket (AT&T Brand)	2 GB	\$30	Yes
AT&T	5 GB	\$30	No
Metro by T-Mobile	2 GB	\$30	Yes
T-Mobile	2 GB	\$15	No
Boost Mobile	5 GB	\$25	Yes

Verizon Wireless (Prepaid)	5 GB	\$40	No
Plans with Unlimited Voice Minutes, Texts, and 10-25 GB of Data			
Straight Talk (TracFone Brand)	25 GB	\$45	No
Cricket (AT&T Brand)	10 GB	\$40	Yes
AT&T	15 GB	\$40	No
Boost	10 GB	\$35	Yes
T-Mobile	10 GB	\$40	No
Plans with Unlimited Voice Minutes, Texts, and Unlimited Data			
Straight Talk (TracFone Brand)	Unlimited	\$55	No
Simple Mobile (TracFone Brand)	Unlimited	\$50	No
Cricket (AT&T Brand)	Unlimited	\$55	Yes
AT&T	Unlimited	\$65	No
Verizon Wireless (Prepaid)	Unlimited	\$65	No
Visible (Verizon Brand)	Unlimited	\$40	Yes
Metro by T-Mobile	Unlimited	\$50	Yes
Metro by T-Mobile	Unlimited	\$60	Yes
T-Mobile	Unlimited	\$60	No
Boost Mobile	Unlimited	\$50	Yes

Figure 3: Metro by T-Mobile Phone Plans²⁷

Phone Plans
Whether you're looking for individual or family plans, Metro has the best phone plan for you.

Plan	Price	Features
\$40 10GB HIGH-SPEED		Access to T-Mobile's 5G Network Music Unlimited Included (Stream 40+ music apps without using up your data) Hotspot not included Save \$10 on each additional line
\$50 UNLIMITED HIGH-SPEED		Access to T-Mobile's 5G Network Hotspot Data 5GB Google One 100GB (Get automatic backup, expanded storage, and more) Save \$20 on each additional line
\$60 UNLIMITED HIGH-SPEED		Access to T-Mobile's 5G Network Hotspot Data 15GB Google One 100GB (Get automatic backup, expanded storage, and more) Amazon Prime (Get endless entertainment, free shipping, and more) Get 4 lines for \$120

Lines	Price
2 LINES	\$70
3 LINES	\$100
4 LINES	\$130
5 LINES	\$160

Lines	Price
2 LINES	\$80
3 LINES	\$110
4 LINES	\$140
5 LINES	\$170

Lines	Price
2 LINES	\$90
3 LINES	\$120
4 LINES	\$150 \$120
5 LINES	\$180 \$150

Figure 4: Boost Mobile Unlimited Rate Plans²⁸

GO UNLIMITED

Plan	Price	Features
\$50 35GB 4G LTE per month		<ul style="list-style-type: none"> Unlimited Data, Talk & Text Unlimited Mobile Data* 12GB Mobile Hotspot Add a Line for ONLY \$30/mo
\$60 35GB 4G LTE per month		<ul style="list-style-type: none"> Unlimited Data, Talk & Text Unlimited Mobile Data* 30GB Mobile Hotspot Add a Line for ONLY \$40/mo

*After monthly data allotment is exceeded, you will be reduced to 2G data speeds for the remainder of the month.

²⁷ <https://www.metrobyt-mobile.com/shop/plans> (last accessed Apr. 5, 2021).

²⁸ <https://www.boostmobile.com/expanded-plans.html?intnav=TopNav:Plans:PhonePlans#network> (last accessed Apr. 5, 2021).

c. TracFone Continuously Optimizes Its Investments Across Its Portfolio of Brands to Ensure Marketing Efficiency

Dr. Karambelkar raises concerns about Verizon’s future plans with respect to some TracFone brands. She asserts that Verizon’s “strategy risks eliminating or seriously deteriorating low-cost wireless brand choices available in California.”²⁹ Dr. Karambelkar’s concern ignores the fact that it is an entirely ordinary part of the business process for companies to review and reassess branding, marketing, and investment strategies in light of changes to the marketplace. TracFone, for its part, constantly reassesses and modifies its investments across its portfolio of brands to ensure it is maximizing its marketing efficiency.

Given the highly competitive nature of the prepaid wireless segment, and TracFone’s high network costs and thin margins, TracFone must be as efficient as possible with its limited resources. TracFone therefore constantly evaluates its investments in all of its brands to ensure that it is maximizing the benefits from its investments and reaching consumers as efficiently as possible.

This sometimes requires reducing or eliminating investments in certain brands altogether so as to lower costs and enable other brands to offer better deals. For example, **[BEGIN**

CONFIDENTIAL LAWYERS ONLY] [REDACTED]
[REDACTED]
[REDACTED]

²⁹ Karambelkar Testimony at 23.

LAWYERS ONLY]

d. California LifeLine Consumers Have Many Competitive Options

Cal Advocates witness James Ahlstedt expresses concern about TracFone’s Lifeline customers who reside outside of Verizon’s coverage area, and that these customers “may not be able to be migrated simply due to lack of service coverage.”³⁰ I understand that Verizon witness Lydia Ng will testify regarding Verizon’s network coverage for TracFone LifeLine customers in California.³¹

Even if these customers are unable to be migrated to Verizon because of coverage issues, there is little risk that they will be left without service as a result of the Transaction. As an initial matter, these customers are *already* served by a network. If they are not served by Verizon’s network, they are likely served by T-Mobile’s, which provides service to approximately ninety percent of California LifeLine subscribers today,³² or alternatively AT&T. These customers will have access to the providers that offer LifeLine-supported services over those networks – such as T-Mobile’s Assurance brand and MVNOs that use T-Mobile’s and AT&T’s networks – and almost certainly will be able to take their current handsets with them. In addition, the California LifeLine market is very competitive and consumers enjoy a number of retail options. As Mr. Ahlstedt himself notes, there are 11 wireless service providers offering LifeLine service to

³⁰ Public Advocates Office Testimony on the Proposed Transfer of Control of TracFone Wireless, Inc. to Verizon Communications, Inc.: Impacts on California LifeLine Customers (April 2, 2021) (“Ahlstedt Testimony”) at 29.

³¹ Rebuttal Testimony for Verizon Communications Inc. (Apr. 9, 2021) at 48-57.

³² Verizon Opening Testimony at 37.

California consumers³³ and TracFone is only the third largest LifeLine provider in the state, with a share of under 14 percent of all wireless Lifeline connections.³⁴

With such a large number of LifeLine providers, customers can readily switch, and switching costs for California LifeLine customers are low. A number of LifeLine providers offer free cell phones for new customers. For example, Assurance Wireless, the largest LifeLine provider in California by subscribers, advertises a free Android smartphone as part of the consumer's sign-up, in addition to no activation fees.³⁵ Similarly, TruConnect advertises a free 5.5-inch LTE smartphone,³⁶ while SafetyNet Wireless also offers a free phone.³⁷ The high churn rate for LifeLine customers in California— **[BEGIN CONFIDENTIAL LAWYERS ONLY]**

[REDACTED]
[REDACTED] **[END**

CONFIDENTIAL LAWYERS ONLY]—indicates that switching is common.

Furthermore, I understand that Verizon expects **[BEGIN CONFIDENTIAL LAWYERS ONLY]** [REDACTED]
[REDACTED].³⁸ **[END CONFIDENTIAL**

LAWYERS ONLY] Therefore, there is little risk that any TracFone customers, including LifeLine customers, will experience any unwanted change in their service in the short term.

³³ Ahlstedt Testimony at 12.

³⁴ Data from Third Party Administrator LifeLine Customer Counts provided on the Commission's website, *available at* <https://www.cpuc.ca.gov/General.aspx?id=1100>.

³⁵ <https://www.assurancewireless.com/> (last accessed Apr. 5, 2021).

³⁶ https://www.truconnect.com/?AgentId=17315&utm_medium=tcd&utm_source=lifeline&utm_campaign=llbtn&gclid=CjwKCAjw6qqDBhB-EiwACBs6x-YbtWSoBK102RHjINxopc2ndWiV5IxOYtNCnYZCQmr_AbxX2jrM8RoC2kIQAvD_BwE (last accessed Apr. 8, 2021).


³⁷ <https://safetynetwireless.com/> (last accessed Apr. 5, 2021).

³⁸ Verizon Opening Testimony at 40.

IV. The Transaction Will Put TracFone's Lifeline Offerings on More Secure Footing

The Cal Advocates and TURN witnesses also greatly underestimate the challenges of participating in the federal Lifeline program and the California LifeLine program, especially for TracFone and other resellers of wireless services. In the last five years, the FCC and the CPUC have established — and subsequently increased — minimum service standards for offerings that would be eligible for the federal Lifeline or California LifeLine subsidy, without increasing the amount of the subsidy. TracFone has always supported the goals — and the growth — of the federal and state programs. But being required to meet these new minimum service standards places significant cost pressure on TracFone and other resellers that need to go back to their wholesale partners and negotiate commensurate cost reductions each time the minimum service standard is raised.

As noted above, TracFone **[BEGIN TRACFONE CONFIDENTIAL LAWYERS ONLY]** 

 **[END TRACFONE CONFIDENTIAL LAWYERS ONLY]** Despite these efforts, the increases in the minimum service standards have forced TracFone to limit its offerings and the manner in which it markets Lifeline-supported service. For example, in many states TracFone has had to eliminate (i) the provisioning of free smartphones,³⁹ (ii) the use of in-person enrollment agents to assist potentially eligible consumers; and (iii) all consumer outreach efforts beyond the regulatory requirements, including television and radio advertising. Had TracFone not made these changes,

³⁹ California is one of only four states and territories where TracFone currently offers a no-cost handset as part of the supported service.

its ability to continue providing LifeLine service would have been jeopardized, as it simply could not afford the costs at the prices mandated.

The result has been predictable — total enrollment in the federal Lifeline program declined from 10.4 million in December 2016 to a little over 6 million in March 2020, and total enrollment in the California LifeLine program declined from over 2.1 million to approximately 1.4 million over the same period.⁴⁰ To the extent that the minimum service standards increase further, TracFone may be left with no choice but to charge co-payments — a step that would likely lead to further reductions in enrollment no matter what kind of retention and marketing efforts TracFone were to undertake. Beyond that, TracFone likely would need to consider withdrawing from the programs entirely.

The easiest way to avoid this result, from TracFone’s perspective as an active participant in the various programs and an ardent supporter of the policy goals embodied in the Lifeline programs, is to allow the Transaction to move forward. Combining Verizon’s network and resources with TracFone’s brands and expertise in the prepaid space is critical to growing the Lifeline programs and continuing TracFone’s participation in the programs.

⁴⁰ National Lifeline Association, Notice of Oral Ex Parte, WC Docket Nos. 17-287, 11-42, 09-197, 10-90 (Aug. 24, 2020), *available at* [https://ecfsapi.fcc.gov/file/108242139406638/NaLA%20and%20Members%20Ex%20Parte%20Calls%20with%20Lifeline%20Advisors%20\(Aug%202024%202020\).pdf](https://ecfsapi.fcc.gov/file/108242139406638/NaLA%20and%20Members%20Ex%20Parte%20Calls%20with%20Lifeline%20Advisors%20(Aug%202024%202020).pdf). Program numbers since March 2020 are likely inflated because the FCC and USAC stopped de-enrollment at that time; without that natural churn off the rolls, USAC- and CPUC-reported enrollment has increased in the last 12 months. However, TracFone expects that once this de-enrollment prohibition is lifted, the numbers will revert to the prior downward trend.