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FCC CONSENTS WITH CONDITIONS TO ALLTEL CORPORATION ACQUISITION OF WESTERN WIRELESS CORPORATION LICENSES AND AUTHORIZATIONS

WASHINGTON, D.C. -- Today, the Federal Communications Commission consented to the applications filed in connection with the proposed merger of ALLTEL (ALLTEL) Corporation and Western Wireless Corporation (WWC) subject to certain conditions. The transactions would transfer the control of licenses held by WWC and its subsidiaries to Widgeon Acquisition LLC (Widgeon), a wholly-owned subsidiary of ALLTEL. The Commission denied all of the petitions filed in opposition to the merger, finding that the merger as conditioned would serve the public interest. The Commission also consented to two related applications: (1) an application to assign from WWC to Widgeon an international section 214 authorization, and (2) an application to transfer control from Western Wireless International Enterprise, Inc., a subsidiary of WWC, to Widgeon an international section 214 authorization.

Analysis

With respect to ALLTEL's acquisition of WWC's licenses, the Commission analyzed the market for mobile telephony services and concluded that the companies had demonstrated that the proposed merger will serve the public interest, convenience, and necessity. Further, the Commission concluded that the likely public interest benefits of the merger outweigh the potential public interest harms. Based on the record developed in this proceeding, the FCC concluded the acquisition generally is not likely to cause competitive harm in most mobile telephony markets. In reaching these conclusions the Commission analyzed many factors regarding the likely horizontal effects of the merger, including substitutability of products and services, possible competitive responses by rival carriers, spectrum aggregation, deployment of advanced wireless services, network effects on the merged company, and penetration rates in local markets. The Commission concluded that anti-competitive effects are unlikely in all but 16 of the FCC's 734 Cellular Market Areas (CMAs), where the merger would cause significant competitive harm that exceeds the likely public interest benefits of the merger in those areas.

The Commission also analyzed the possible vertical effects of the merger, specifically with respect to the impact of the merger on roaming. The Commission imposed a condition specifying that ALLTEL may not prevent its subscribers from reaching another carrier and completing calls via manual roaming, unless specifically requested to do so by a subscriber. In addition, the Commission stated that, given the broad scope of the roaming concerns raised in this proceeding, roaming issues would be more appropriately addressed in the rulemaking context. In the near future, the Commission plans to initiate a new proceeding to examine whether our rules regarding the roaming requirements applicable to CMRS providers should be modified to take into account current market conditions and developments in technology. This proceeding will afford interested parties an opportunity to comment on a variety of roaming issues, including manual and automatic roaming, technical considerations, and small and rural carrier roaming concerns.

Conditions to Approval

The Commission conditioned its consent on the companies divesting WWC business units – customers, infrastructure, and cellular spectrum – in 16 CMAs. The Commission stated that this condition would ensure that there will be a sufficient number of competitors with the presence and capacity to compete effectively against the merged entity in these markets. In the same 16 CMAs, the Commission approved ALLTEL's acquisition of WWC's PCS spectrum, and the infrastructure needed to continue operation of WWC's PCS-based GSM roaming business.

The markets to be divested include: CMA334 (Arkansas 11-Hempstead), CMA430 (Kansas 3 – Jewell), CMA431 (Kansas 4 – Marshall), CMA435 (Kansas 8 – Ellsworth), CMA436 (Kansas 9 – Morris), CMA437 (Kansas 10 – Franklin), CMA441 (Kansas 14 - Reno), CMA534 (Nebraska 2 – Cherry), CMA535 (Nebraska 3 - Knox), CMA536 (Nebraska 4 – Grant), CMA537 (Nebraska 5 – Boone), CMA538 (Nebraska 6 – Keith), CMA539 (Nebraska 7 – Hall), CMA540 (Nebraska 8 – Chase), CMA541 (Nebraska 9 – Adams), and CMA542 (Nebraska 10 – Cass).

Management Trustee

With respect to the required divestitures, the Commission required the companies to appoint a management trustee to serve as manager of the divestiture assets until such assets are sold to third party purchasers or transferred to a divestiture trustee. Within three calendar days after the date of the Commission's order, the companies must file applications to transfer the divestiture assets to the management trustee, including a request to approve the identity of the trustee and the terms of the trust agreement. The Commission permitted the companies to retain legal control of the assets and have the sole power to market and dispose of the assets to third party buyers, subject to the Commission's rules, during the period of time that the management trustee is in day-to-day control of the divestiture assets.

The Commission required that the divestiture assets be transferred to the trust no later than upon consummation of this proposed transaction, or within three calendar days after the Wireless Telecommunications Bureau approves the appropriate applications or notifications transferring the divestiture assets to the management trustee, if such applications or notifications are not acted upon prior to the consummation of the proposed transaction. Until the assets are transferred to the trust, both the companies and the management trustee must abide by the provisions regarding the duties of the trustee and the preservation of the divestiture assets contained in the companies' agreement with the United States Department of Justice.

Action by the Commission on July 11, 2005 by Memorandum, Opinion and Order, (FCC 05-138). Chairman Martin, Commissioners Abernathy, Copps, and Adelstein.

Attached are statements issued by Chairman Martin, Commissioners Abernathy, Copps, and Adelstein.

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