

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA, )  
Department of Justice )  
Antitrust Division )  
1401 H Street, N.W., Suite 8000 )  
Washington, D.C. 20530, )  
 )  
*Plaintiff,* )

Civil No.: 1:99CV01119 (LFO)

v. )  
 )  
 )  
 )

BELL ATLANTIC CORPORATION )  
1095 Avenue of the Americas )  
New York, NY 10036, )  
 )

GTE CORPORATION )  
1255 Corporate Drive )  
Irving, TX 75038, )  
 )

and )  
 )

VODAFONE AIRTOUCH PLC )  
One California Street )  
San Francisco, CA 94111, )  
 )

*Defendants.* )  
 )  
\_\_\_\_\_ )

**SUPPLEMENTAL COMPLAINT**

The United States of America, acting under direction of the Attorney General of the United States, brings this civil antitrust action to enjoin (1) defendant Bell Atlantic Corporation (“Bell Atlantic”) from merging with defendant GTE Corporation (“GTE”) and (2) defendant Bell Atlantic from entering into a partnership with Vodafone AirTouch Plc (“Vodafone”), and to obtain other relief as appropriate.

The United States of America alleges as follows:

1. On July 28, 1998, Bell Atlantic and GTE entered into an agreement under which the two companies would merge (“Bell Atlantic/GTE Merger”). On September 21, 1999 Bell Atlantic and Vodafone entered into an agreement to form a partnership (“Bell Atlantic/Vodafone Partnership”) that will offer wireless mobile telephone services in the United States. The United States seeks to enjoin these transactions because their effect may be substantially to lessen competition in wireless mobile telephone services in 13 major trading areas (“MTA”), as well as 96 metropolitan statistical areas (“MSA”) and rural service areas (“RSA”) in Alabama, Arizona, California, Florida, Idaho, Illinois, Indiana, Montana, New Mexico, Ohio, South Carolina, Texas, Virginia, Washington, and Wisconsin.

2. Bell Atlantic and GTE each provide local exchange services in distinct regions, and they also provide wireless mobile telephone services, including cellular mobile telephone services and personal communications services (“PCS”), both within and outside of their local exchange service regions. Vodafone, the world’s largest mobile telecommunications company, serves 9.1 million cellular mobile telephone and PCS customers in the United States, as well as more than 19 million customers outside the United States. Bell Atlantic and Vodafone are currently partners in PCS PrimeCo, L.P. (“PrimeCo”), a firm that provides wireless mobile telephone services in many areas of the country.

3. The Bell Atlantic/GTE Merger affects 32 MSAs and 26 RSAs where GTE operates, and/or has an ownership interest in, a cellular mobile wireless telephone business that competes with a PrimeCo wireless PCS telephone business that overlaps all or part of the area. In addition, this acquisition affects four additional MSAs where competing cellular mobile wireless telephone businesses are owned in whole or in part by Bell Atlantic and GTE. These 62 MSAs and RSAs have a total

population in excess of 25 million.

4. The Bell Atlantic/Vodafone Partnership affects three MSAs and one RSAs where competing cellular mobile wireless telephone businesses are owned in whole or part by Bell Atlantic and Vodafone. Additionally, upon consummation of both the Bell Atlantic/GTE merger and the agreement to form the Bell Atlantic/Vodafone Partnership, these transactions will affect (1) an additional 10 MSAs and one RSA where competing cellular mobile wireless businesses are owned in whole or in part by Vodafone and GTE, and (2) an additional 10 MSAs and nine RSAs where Vodafone owns, or will own,<sup>1</sup> in whole or in part, a cellular mobile wireless telephone business that competes with a GTE wireless PCS telephone business that overlaps all or part of the area. These 34 MSAs and RSAs have a total population in excess of 32 million.

5. The cellular businesses owned in whole or in part by Bell Atlantic and GTE are the only two providers of cellular mobile telephone services, and the two primary providers of all wireless mobile telephone services, in four cellular license areas in the states of New Mexico, Texas, and South Carolina herein referred to as the “Bell Atlantic Cellular/GTE Cellular Overlap Areas.” The cellular businesses owned in whole or in part by Bell Atlantic and Vodafone are the only two providers of cellular mobile telephone services, and the two primary providers of all wireless mobile telephone services, in four cellular license areas in the states of Arizona and New Mexico, herein referred to as the “Bell Atlantic Cellular/Vodafone Cellular Overlap Areas.” Also, the cellular businesses owned in

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<sup>1</sup> Pursuant to a July 18, 1999 purchase agreement, Vodafone plans to acquire interests in cellular businesses from CommNet Cellular Inc. (“CommNet”) that overlap with GTE’s PCS business in the following RSAs: Idaho 2- Idaho RSA; Montana 1- Lincoln RSA.

whole or in part by GTE and Vodafone are the only two providers of cellular mobile telephone services, and the two primary providers of all wireless mobile telephone services, in 11 cellular license areas in the states of California and Ohio, herein referred to as the “GTE Cellular/Vodafone Cellular Overlap Areas.” The Bell Atlantic Cellular/GTE Cellular Overlap Areas, the Bell Atlantic Cellular/Vodafone Cellular Overlap Areas, and the GTE Cellular/Vodafone Cellular Overlap Areas are collectively referred to herein as the Cellular/Cellular Overlap Areas.

6. In 58 cellular license areas in the states of Alabama, Florida, Illinois, Indiana, Texas, Virginia, and Wisconsin, herein referred to as the “PrimeCo PCS/GTE Cellular Overlap Areas,” the cellular businesses owned in whole or in part by GTE, and the PCS business owned by PrimeCo are two of a small number of providers of wireless mobile telephone services. In addition, in 19 cellular license areas in the states of Idaho, Montana, Ohio, and Washington, herein referred to as the “GTE PCS/Vodafone Cellular Overlap Areas,” the cellular businesses to be acquired by or owned in whole or in part by Vodafone, and the PCS business owned by GTE are two of a small number of providers of wireless mobile telephone services. Collectively, the PrimeCo PCS/GTE Cellular Overlap Areas, and the GTE PCS/Vodafone Cellular Overlap Areas are referred to herein as the PCS/Cellular Overlap Areas.

7. GTE and Bell Atlantic, Bell Atlantic and Vodafone, and GTE and Vodafone are direct competitors in wireless mobile telephone services in the Cellular/Cellular Overlap Areas. GTE and PrimeCo, and GTE and Vodafone, are direct competitors in wireless mobile telephone services in the PCS/Cellular Overlap Areas. In each of the Cellular/Cellular Overlap Areas and the PCS/Cellular Overlap Areas, collectively referred to herein as the Overlapping Wireless Markets, the wireless

businesses owned or to be owned in whole or in part by Bell Atlantic, Vodafone and GTE compete to sell the best quality service at the lowest possible rates and are among each other's most significant competitors.

8. If Bell Atlantic and GTE consummate their proposed merger, and Bell Atlantic and Vodafone consummate their proposed partnership, only one completely independent provider of cellular mobile telephone services (and a small number of wireless mobile telephone service providers) would remain available to consumers in the Cellular/Cellular Overlap Areas, because the combined firm would have an ownership interest in both cellular businesses in those areas. Moreover, in the PCS/Cellular Overlap Areas, because the combined firm would have acquired or will acquire substantial control over one cellular business and one PCS business (and might choose to combine those businesses), the small number of wireless mobile telephone service competitors would be effectively reduced by one, making an already concentrated market even more concentrated. As a result, unless the Bell Atlantic/GTE Merger and Bell Atlantic/Vodafone partnership are blocked, the level of concentration among firms providing wireless mobile telephone services in the Overlapping Wireless Markets, which is already high, will be significantly increased, and competition for wireless mobile telecommunications services may be substantially lessened in the Overlapping Wireless Markets. This will likely result in increased prices to consumers for wireless mobile telephone services and reductions in the quality of wireless mobile telephone services, either because of unilateral actions by the resulting combined firm or coordinated interaction among the combined firm and the limited number of other competitors remaining in the Overlapping Wireless Markets.

## **I. JURISDICTION AND VENUE**

9. This action is filed by the United States under Section 15 of the Clayton Act, as amended, 15 U.S.C. § 25, to prevent and restrain defendants from violating Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

10. Defendants are engaged in interstate commerce and in activities substantially affecting interstate commerce. The Court has subject matter jurisdiction over this action and jurisdiction over the parties pursuant to 15 U.S.C. §§ 22 and 25, and 28 U.S.C. §§ 1331 and 1337.

11. Defendants transact business or are found in the District of Columbia. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(b) and (c).

## **II. THE DEFENDANTS AND THE TRANSACTION**

12. Bell Atlantic, with headquarters in New York City, New York, is one of the remaining four Regional Bell Operating Companies (“RBOCs”) created in 1984 by the consent decree settling the United States’ antitrust case against American Telephone & Telegraph Co. Bell Atlantic is the second largest local telephone company in the United States with roughly 42 million total local telephone access lines. In 1998, Bell Atlantic had revenues in excess of \$31 billion. Bell Atlantic provides local telephone services to retail customers in 13 northeastern states and the District of Columbia, as well as cellular mobile telephone services in those areas. Bell Atlantic also provides cellular mobile telephone services in some areas outside its local exchange service region, including areas within Arizona, Georgia, North Carolina, New Mexico, South Carolina, and Texas. Through its partnership in PrimeCo with Vodafone, Bell Atlantic provides wireless service in 18 states. Bell Atlantic is the

nation's fourth largest wireless mobile telephone service provider, with about 7.5 million proportionate subscribers nationwide.

13. GTE, with headquarters in Irving, Texas, is the largest non-RBOC local telephone company in the United States, with over 23 million total local telephone access lines. In 1998, GTE had 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 proportionate subscribers nationwide.

14. 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 nationwide. It has customers in 25 states and 22 of the top 30 U.S. markets. Vodafone also has entered into an agreement to acquire certain cellular mobile telephone businesses from CommNet for \$1.36 billion, which would make Vodafone a provider of cellular mobile telephone services in additional areas in 12 midwestern and western states. The acquisition of the CommNet cellular businesses would add about 360,000 subscribers to Vodafone's total number of wireless subscribers nationwide.

15. On July 28, 1998, Bell Atlantic and GTE entered into a merger agreement whereby the two firms would merge in a transaction valued at approximately \$53 billion dollars at the time of the agreement. If this transaction is consummated, the combined total of Bell Atlantic's and GTE's wireless mobile telephone service subscribers will be in excess of 14 million.

16. On September 21, 1999, Bell Atlantic and Vodafone entered in an agreement to create a new wireless partnership that will combine the wireless assets of Bell Atlantic, Vodafone and GTE, with a value in excess of \$70 billion. The new wireless partnership will be the largest wireless business in the United States, serving over 23 million wireless customers and 49 of the top 50 U.S. wireless markets, with a footprint covering 90% of the U.S. population.

### **III. TRADE AND COMMERCE**

#### **A. Nature of Trade and Commerce**

17. Wireless mobile telephone services permit users to make and receive telephone calls, using radio transmissions, while traveling by car or by other means. The mobility afforded by this service is a valuable feature to consumers, and cellular and other wireless mobile telephone services are commonly priced at a premium above landline services. In order to provide this capability, wireless carriers must deploy an extensive network of switches and radio transmitters and receivers, and interconnect this network with the networks of local and long distance landline carriers, and with the networks of other wireless carriers. Current annual revenues from the sale of wireless mobile telephone services total approximately \$37 billion in the United States.

18. Initially, wireless mobile telephone services were provided principally by two cellular businesses in each license area. Cellular licenses were awarded by the Federal Communications Commission (“FCC”) beginning in the early 1980s for each MSA and RSA. A provider of Specialized Mobile Radio (“SMR”) services typically was also authorized to operate with some additional spectrum in these areas, including the Overlapping Wireless Markets. In 1995, the FCC allocated (and



subsequently issued licenses for) additional spectrum for the provision of PCS, a category of services which includes wireless mobile telephone services comparable to those offered by cellular carriers. In 1996, one SMR spectrum licensee began to use its SMR spectrum to offer wireless mobile telephone services, comparable to that offered by cellular and PCS providers and bundled with dispatch services, in a number of areas including some of the Overlapping Wireless Markets. While the areas for which PCS providers are licensed (MTAs and basic trading areas (“BTAs”)) differ somewhat from the cellular MSAs and RSAs, they generally overlap with them. In many areas, including most of the Overlapping Wireless Markets, not all of the PCS license holders have started to offer services or even begun to construct the facilities necessary to begin offering service. The PCS providers have tended to enter in the largest cities first, entering in smaller markets only later and not on as wide a scale. Moreover, even in those areas where one or more PCS providers have constructed their networks and have started to offer service, including the Overlapping Wireless Markets, the incumbent cellular providers, such as Bell Atlantic, Vodafone and GTE, still typically have substantially larger market shares than the new entrants. In the Cellular/Cellular Overlap Areas, the combined market share of GTE and Bell Atlantic, Bell Atlantic and Vodafone, or GTE and Vodafone in the provision of wireless mobile telephone services, if measured by the number of subscribers, is in the range of 75-95%, taking into account other operational wireless mobile competitors. In the PCS/Cellular Overlap Areas, the combined market share of PrimeCo and the GTE cellular business, or the GTE PCS and Vodafone cellular business, is generally in the 35-50% range. In almost all of these markets, PrimeCo or GTE is one of a very few PCS firms that have begun to vigorously compete against, and take away share from, the two dominant cellular firms, one of which either already is (or after consummation of the

Vodafone/CommNet transaction, will be) owned, in whole or in part, by GTE or Vodafone.

**B. Relevant Product Market**

19. Wireless mobile telephone service is a relevant product market. There are no cost-effective alternatives to wireless mobile telephone services for those customers using these services. If the price of wireless mobile telephone service were to increase by a small but significant amount, there would not be a sufficient number of customers that would switch away from wireless mobile telephone services to make that price increase unprofitable. Wireless mobile telephone service is therefore a relevant product market, and a line of commerce within the meaning of Section 7 of the Clayton Act.

**C. Relevant Geographic Markets**

20. Each Overlapping Wireless Market is a relevant geographic market. The FCC has licensed only a limited number of firms to provide wireless mobile telephone services in these areas based upon availability of radio spectrum. If the price of wireless mobile telephone service were to increase by a small but significant amount in any of the Overlapping Wireless Markets, there would not be a sufficient number of customers that would switch to wireless mobile telephone services in a different Overlapping Wireless Market to make that price increase unprofitable, because consumers cannot turn to providers of wireless mobile telephone services outside of the Overlapping Wireless Markets to obtain wireless mobile telephone services in the Overlapping Wireless Markets. Each Overlapping Wireless Market is therefore a relevant geographic market, and a section of the country within the meaning of Section 7 of the Clayton Act. The Cellular/Cellular Overlap Areas and the PCS/Cellular Overlap Areas are listed below:

**I. Cellular/Cellular Overlap Areas**

A. Bell Atlantic Cellular/Vodafone Cellular Overlap Areas

1. Arizona
  - a. Phoenix MSA
  - b. Tucson MSA
  - c. Arizona 2- Coconino RSA
2. New Mexico
  - a. Albuquerque MSA

B. Bell Atlantic Cellular/GTE Cellular Overlap Areas

1. New Mexico
  - a. Las Cruces MSA
2. South Carolina
  - a. Greenville MSA
  - b. Anderson MSA
3. Texas
  - a. El Paso MSA

C. GTE Cellular/Vodafone Cellular Overlap Areas

1. California
  - a. Salinas-Monterey-Seaside MSA
  - b. San Diego MSA
  - c. San Francisco MSA
  - d. San Jose MSA
  - e. Santa Rosa-Petaluma MSA
  - f. Vallejo-Napa-Fairfield MSA
2. Ohio
  - a. Akron MSA
  - b. Canton MSA
  - c. Cleveland MSA
  - d. Lorain-Elyria MSA
  - e. Ohio 3- Ashtabula RSA

**II. PCS/Cellular Overlap Areas**

A. PrimeCo PCS/GTE Cellular Overlap Areas

1. Jacksonville MTA
  - a. Jacksonville MSA
  - b. Florida 5- Putnam RSA
2. Miami-Fort Lauderdale MTA
  - a. Fort Myers MSA
  - b. Florida 1- Collier (B1) RSA

- c. Florida 2- Glades (B1) RSA
  - d. Florida 3- Hardee RSA
  - e. Florida 11- Monroe (B2) RSA
3. Tampa-St. Petersburg-Orlando MTA
    - a. Tampa-St. Petersburg MSA
    - b. Lakeland-Winter Haven MSA
    - c. Sarasota MSA
    - d. Bradenton MSA
    - e. Florida 2- Glades (B1) RSA
    - f. Florida 3- Hardee RSA
    - g. Florida 4- Citrus (B1) RSA
  4. New Orleans-Baton Rouge MTA
    - a. Mobile, AL MSA
    - b. Pensacola, FL MSA
  5. Chicago MTA
    - a. Aurora-Elgin, IL MSA
    - b. Bloomington-Normal, IL MSA
    - c. Champaign-Urbana-Rantoul, IL MSA
    - d. Chicago, IL MSA
    - e. Decatur, IL MSA
    - f. Fort Wayne, IN MSA
    - g. Gary-Hammond-East Chicago, IN MSA
    - h. Joliet, IL MSA
    - i. Kankakee, IL MSA
    - j. Rockford, IL MSA
    - k. Springfield, IL MSA
    - l. Illinois 1- Jo Daviess RSA
    - m. Illinois 2- Bureau (B1) RSA
    - n. Illinois 2- Bureau (B3) RSA
    - o. Illinois 4- Adams (B1) RSA
    - p. Illinois 5- Mason (B2) RSA
    - q. Illinois 6- Montgomery RSA
    - r. Illinois 7- Vermilion RSA
    - s. Indiana 1- Newton (B1) RSA
    - t. Indiana 1- Newton (B2) RSA
    - u. Indiana 3- Huntington RSA
  6. Dallas-Fort Worth MTA

- a. Dallas-Fort Worth MSA
- b. Austin MSA
- c. Sherman-Denison MSA
- d. Texas 10- Navarro (B3) RSA
- e. Texas 11- Cherokee (B1) RSA
- f. Texas 16- Burleson RSA

7. Houston MTA

- a. Houston MSA
- b. Beaumont-Port Arthur MSA
- c. Galveston MSA
- d. Bryan-College Station MSA
- e. Victoria MSA
- f. Texas 10- Navarro (B3) RSA
- g. Texas 11- Cherokee (B1) RSA
- h. Texas 16- Burleson RSA
- i. Texas 17- Newton RSA
- j. Texas 20- Wilson (B2) RSA
- k. Texas 21- Chambers RSA

8. San Antonio MTA

- a. San Antonio MSA
- b. Texas 16- Burleson RSA
- c. Texas 20- Wilson (B2) RSA

9. Richmond-Norfolk MTA

- a. Norfolk-Virginia Beach-Portsmouth MSA
- b. Richmond MSA
- c. Newport News-Hampton MSA
- d. Petersburg-Colonial Heights MSA
- e. Virginia 7- Buckingham (B1) RSA
- f. Virginia 8- Amelia RSA
- g. Virginia 9- Greensville RSA
- h. Virginia 11- Madison (B1) RSA
- i. Virginia 12- Caroline (B1) RSA
- j. Virginia 12- Caroline (B2) RSA

10. Milwaukee MTA

- a. Wisconsin 8- Vernon RSA

B. GTE PCS/Vodafone Cellular Overlap Areas

1. Cincinnati-Dayton MTA

- a. Cincinnati MSA
  - b. Dayton MSA
  - c. Hamilton/Middleton MSA
  - d. Springfield MSA
  - e. Ohio 4- Mercer RSA
  - f. Ohio 8- Clinton RSA
2. Seattle MTA
- a. Bellingham MSA
  - b. Bremerton MSA
  - c. Olympia MSA
  - d. Seattle-Everett MSA
  - e. Tacoma MSA
  - f. Washington 1- Clallam RSA
  - g. Washington 2- Okanagan RSA
  - h. Washington 4- Gray's Harbor RSA
3. Spokane-Billings MTA
- a. Spokane MSA
  - b. Idaho 1- Boundary RSA
  - c. Idaho 2- Idaho RSA
  - d. Montana 1- Lincoln RSA
  - e. Washington 3- Ferry RSA

**D. Anticompetitive Effects and Entry**

21. Currently, Bell Atlantic and GTE, Bell Atlantic and Vodafone, and GTE and Vodafone both own all or part of businesses that offer cellular mobile telephone service in the Cellular/Cellular Overlap Areas. Their individual market shares in the Cellular/Cellular Overlap Areas, if measured on the basis of the number of subscribers, exceed 35% and their combined market shares in these markets would range from 75 - 95%.

22. There is already a high level of concentration in the provision of wireless mobile telephone services in the Cellular MSA Overlap Areas. As measured by the Herfindahl-Hirschman Index ("HHI"), which is commonly employed by the Department of Justice in merger analysis and is explained

in more detail in Appendix A to this Complaint, concentration in these markets is already in excess of 2800, well above the 1800 threshold at which the Department normally considers a market to be highly concentrated. After the consummation of these transactions, the HHI in these markets will be in excess of 5500.

23. Competition between GTE and Bell Atlantic, Bell Atlantic and Vodafone, or GTE and Vodafone as the two largest providers of wireless mobile telephone services in the Cellular/Cellular Overlap Areas, has resulted in lower prices and higher quality in these markets than would otherwise have existed absent such competition. If GTE's merger with Bell Atlantic and Bell Atlantic's agreement to form a partnership with Vodafone is consummated, the Cellular/Cellular Overlap Areas will become substantially more concentrated, and the competition between GTE and Bell Atlantic, Bell Atlantic and Vodafone, or GTE and Vodafone in wireless mobile telephone services in these markets will be effectively eliminated. As a result of the loss in competition, there will be an increased likelihood both of unilateral actions by the combined firm in these markets to increase prices, diminish the quality or quantity of service provided, or refrain from making investments in network improvements, and of coordinated interaction among the limited number of remaining competitors that could lead to similar anticompetitive results. Therefore, the likely effect of these transactions is that prices would increase, and the quality or quantity of service together with incentives to improve network facilities would decrease, in the provision of wireless mobile telephone services in the Cellular/Cellular Overlap Areas.

24. Currently, in the PCS/Cellular Overlap Areas, PrimeCo and GTE offer, or will soon offer, wireless mobile telephone service, and either GTE, Vodafone or CommNet owns all or part of a business offering cellular mobile telephone service. In each of the PCS/Cellular Overlap Areas, the

GTE, Vodafone or CommNet cellular business has one of the two largest market shares in the provision wireless mobile telephone services and PrimeCo and GTE are one of a small number of new PCS entrants into these markets. In some of these markets, such as Richmond, Houston, and Tampa, PrimeCo was the first new PCS entrant, is the third largest wireless firm in terms of number of subscribers, and has managed to garner a significant share. Competition between PrimeCo and GTE, and GTE, Vodafone, or CommNet created by PrimeCo's or Vodafone's entry into markets that were previously an effective duopoly, has resulted in lower prices and higher quality in these markets than would otherwise have existed absent such competition. There is already a high level of concentration in the provision of wireless mobile wireless telephone services in the PCS/Cellular Overlap Areas. In virtually all the PCS/Cellular Overlap Areas, the individual shares of the two cellular carriers--one of which is GTE, Vodafone or CommNet--is in the 30-40% range and the HHI exceeds 2000. After Bell Atlantic's merger with GTE and the formation of Bell Atlantic's partnership with Vodafone, concentration in virtually all of these markets would increase significantly.

25. If GTE and Bell Atlantic merge and Bell Atlantic and Vodafone form their partnership, the PCS/Cellular Overlap Areas will become significantly more concentrated, and the competition between PrimeCo and GTE, and GTE and Vodafone in wireless mobile telephone services in these markets will be eliminated. As a result of the loss in competition between PrimeCo and GTE's, or GTE and Vodafone's, wireless businesses, there will be an increased likelihood both of unilateral actions by the combined firm in these markets to increase prices, diminish the quality or quantity of service provided, or refrain from making investments in network improvements, and of coordinated interaction among the limited number of remaining competitors that could lead to similar anticompetitive results. Therefore,



the likely effect of the Bell Atlantic/GTE Merger and the Bell Atlantic/Vodafone Partnership is that prices would increase, and the quality or quantity of service together with incentives to improve network facilities would decrease, in the provision of wireless mobile telephone services in the PCS/Cellular Overlap Areas.

26. It is unlikely that new entry in response to a small but significant price increase by the combined company for wireless mobile telephone services in the Overlapping Wireless Markets would be timely and sufficient to mitigate the competitive harm resulting from this acquisition, if it were to be consummated.

#### **IV. VIOLATIONS ALLEGED**

27. The effect of Bell Atlantic's merger with GTE, if it were to be consummated, may be substantially to lessen competition in interstate trade and commerce in the Bell Atlantic Cellular/GTE Cellular Overlap Areas and PrimeCo PCS/GTE Cellular Overlap Areas, in violation of Section 7 of the Clayton Act.

28. The effect of Bell Atlantic's agreement to form a partnership with Vodafone, if it were to be consummated, may be substantially to lessen competition in interstate trade and commerce in the Bell Atlantic Cellular/Vodafone Cellular Overlap Areas, in violation of Section 7 of the Clayton Act.

29. The combined effect of the consummation of the Bell Atlantic/GTE merger and Bell Atlantic/Vodafone partnership may be substantially to lessen competition in interstate trade and commerce in the GTE Cellular/Vodafone Cellular Overlap Areas and GTE PCS/Vodafone Cellular Overlap Areas, in violation of Section 7 of the Clayton Act.

30. Unless restrained, the transactions will likely have the following effects in wireless mobile telephone services in the Overlapping Wireless Markets, among others:

- a. actual and potential competition between Bell Atlantic and GTE, between GTE and PrimeCo, between Bell Atlantic and Vodafone, and between GTE and Vodaphone will be eliminated;
- b. competition in general will be lessened substantially;
- c. prices are likely to increase;
- d. the quality and/or quantity of services are likely to decrease; and
- e. incentives to improve wireless networks will be reduced.

#### **V. REQUESTED RELIEF**

**WHEREFORE**, Plaintiff requests:

31. That the proposed merger of Bell Atlantic and GTE be adjudged to violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18;

32. That defendants Bell Atlantic and GTE be permanently enjoined from and restrained from carrying out the merger agreement, dated July 28, 1998, or from entering into or carrying out any agreement, understanding, or plan, the effect of which would be to bring Bell Atlantic and GTE under common ownership or control;

33. That the proposed partnership between Bell Atlantic and Vodafone be adjudged to violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18;

34. That defendants Bell Atlantic and Vodafone be permanently enjoined from and restrained

from carrying out the agreement to form a partnership, dated September 21, 1999, or from entering into or carrying out any agreement, understanding, or plan, the effect of which would be to bring Bell Atlantic and Vodafone under common ownership or control;

35. That plaintiff be awarded its costs of this action; and

36. That plaintiff have such other relief as the Court may deem just and proper.

Dated this 9th day of December, 1999.

Respectfully submitted,

FOR PLAINTIFF UNITED STATES

\_\_\_\_\_/s/\_\_\_\_\_  
Joel I. Klein  
Assistant Attorney General

\_\_\_\_\_/s/\_\_\_\_\_  
Donald J. Russell  
Chief, Telecommunications Task Force

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## APPENDIX A

### DEFINITION OF “HHI”

The term “HHI” means the Herfindahl-Hirschman Index, a commonly accepted measure of market concentration. The HHI is calculated by squaring the market share of each firm competing in the market and then summing the resulting numbers. For example, for a market consisting of four firms with shares of 30, 30, 20, and 20 percent, the HHI is 2,600 ( $30^2 + 30^2 + 20^2 + 20^2 = 2,600$ ). The HHI takes into account the relative size and distribution of the firms in a market. It approaches zero when a market is occupied by a large number of firms of relatively equal size and reaches its maximum of 10,000 when a market is controlled by a single firm. The HHI increases both as the number of firms in the market decreases and as the disparity in size between those firms increases.

Markets in which the HHI is between 1000 and 1800 are considered to be moderately concentrated, and markets in which the HHI is in excess of 1800 points are considered to be highly concentrated. Transactions that increase the HHI by more than 100 points in highly concentrated markets presumptively raise significant antitrust concerns under the Department of Justice and Federal Trade Commission 1992 Horizontal Merger Guidelines.