



T-Mobile USA, Inc.
12920 SE 38th Street, Bellevue, WA 98006

October 3, 2008

The Honorable Herb Kohl
330 Hart Senate Office Building
United States Senate
Washington, D.C. 20510

Re: Text Messaging Services

Dear Senator Kohl:

Thank you for your letter of September 9, 2008. We appreciate the opportunity to respond to the questions you have raised about pricing of text messaging services.

Competition in the wireless industry is intense, and consumers are winning. Robust competition has driven a steep decline in prices U.S. consumers have paid for wireless services. Wireless services have never been more affordable for the vast majority of Americans. As a result, U.S. consumers enjoy greater access to an expanding variety of wireless phone services and some of the lowest prices in the world. Further, at the same time prices have fallen, competition has propelled innovation forward, dramatically increasing the features, functionality and quality of wireless services available to consumers.

T-Mobile and other wireless carriers are competing fiercely for customers. We compete through the innovation of new and different service offerings that bring more choices to our customers. We compete by investing in our infrastructure, which leads to improved service quality. We also compete on price, and we aim to consistently deliver better value through lower prices to our customers.

Although your letter states that carriers' prices for text messaging appear to have increased since 2005, the opposite is true. Since 2005, the prices that T-Mobile charges for text messages – 90% of which are purchased in texting package plans – have fallen by more than half. Not only have our prices for text messages fallen, T-Mobile leads its competition in bringing lower prices to consumers. In fact, as shown below, T-Mobile provides the best value to its customers by offering more text messages for less money than any of the other leading wireless carriers.

Text Message Price Plans

T-Mobile competes with other wireless carriers in offering consumers a variety of voice, messaging, and data plans, many of which include text messaging. Customers can select a plan in which text messages are charged on a “pay-as-you-go” basis, or a plan in which text messages are included as part of a package. In a pay-as-you-go plan, the customer pays for each text message sent or received. In a package plan, the customer chooses the number of messages

included in their package and pays a flat monthly fee. For example, the customer may choose a package that provides unlimited messages, or one that provides a set number of monthly messages, such as 400 text messages per month.

The table below compares a selection of T-Mobile's current message package plans with similar plans offered by AT&T, Verizon and Sprint-Nextel based on information from each carrier's website. As shown by comparing the plans, there are significant differences in volume and price. These different options and price points are evidence of a healthy wireless marketplace where consumers can select from a range of options, while benefiting from vigorous price competition among the carriers. For example, T-Mobile's \$4.99 plan includes up to twice as many messages per month as competitors offer for \$5.00, and T-Mobile's unlimited plan is up to 25% less expensive than the others.

	Plan A			Plan B			Plan C		
	Price	Included Msgs	\$/Msg	Price	Included Msgs	\$/Msg	Price	Included Msgs	\$/Msg
T-Mobile	\$4.99	400	\$0.013	\$9.99	1000	\$0.01	\$14.99	Unlimited	N/A
AT&T	\$5.00	200	\$0.025	\$15	1500	\$0.01	\$20.00	Unlimited	N/A
Verizon	\$5.00	250	\$0.02	\$10	500	\$0.02	\$15	1500	\$0.01
Sprint-Nextel	\$5.00	300	\$0.02	\$10	1000	\$0.01	\$20.00	Unlimited	N/A

Text Message Price Trends

At T-Mobile, approximately 90% of our customers' message usage is included within package plans. Pay-as-you-go pricing is generally selected by those customers who tend to text infrequently, and, standing alone, does not accurately capture the real rates being paid by the customers who use text messaging services on a regular basis. When all messaging sales are considered, text messaging rates paid by consumers have fallen dramatically since 2005. In particular, T-Mobile's average revenue per text message, which takes into account the revenue for all text messages, has declined by more than 50% since 2005. Consequently, overall prices for text messaging have declined significantly. In addition, the suggestion in your letter that the major carriers changed pay-as-you-go message prices at "nearly the same time" is simply not true. In fact, T-Mobile changed its price on pay-as-you-go message rates by anywhere from several months to as much as a full year after other carriers.

As carriers compete on price, prices fall and consumers benefit by getting more value for less money. Consumers have responded by using text messaging services more. The decrease in per-message prices has been accompanied by an explosion in the number of text messages sent and received. The CTIA Semi-Annual Wireless Industry Survey, released on September 10, 2008, noted that there were 28.8 billion text messages reported industry-wide in June 2007. However, in June 2008, that number had leaped to a reported 75 billion text messages - about 2.5 billion messages a day. Thus, in just one year, text message utilization increased 160% across the industry.

Pricing of Other Services

Your letter also asks about prices charged for other wireless services. The decline in text message pricing discussed above tracks a similar and substantial industry-wide decline in total pricing – for voice, data, other services, and handsets. For example, according to the FCC’s most recent wireless competition report, the average price per minute of voice calls in the wireless industry has decreased from \$0.11 in 2002 to \$0.07 in 2006. In addition, the FCC reports that since 2005, the per-song pricing of over-the-air music downloads has decreased from \$2.50 to \$0.99.

Consumers also have increasing choice among wireless carriers’ service offerings and plans, which affects the prices they choose to pay. Consumers choose how many monthly voice minutes they want, including pricing options such as unlimited nights and weekends or free mobile to mobile calling, and whether they wish to purchase additional features and services, such as packages that include instant messaging, e-mail, Internet access, music downloading, streaming video, etc. To attract and retain customers, each carrier packages and promotes different services with different prices. For example, with “myFaves,” T-Mobile offers an option that none of the other national carriers offers, at any price: unlimited calling to any five numbers, even landlines.

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At T-Mobile, we have consistently lowered prices while investing billions of dollars to enhance the quality, availability and sophistication of the services we offer. Simply put, T-Mobile has been committed to market leadership in providing great value and excellent service to our customers. The highly competitive environment in which we operate requires nothing less.

T-Mobile takes the concerns expressed in your letter very seriously, and I hope this letter has been helpful in addressing them. If you have further questions or need additional information, we would welcome the opportunity to meet with you or your staff.

Sincerely,



Robert Dotson
President and Chief Executive Officer