In re Applications of

CHADMOORE WIRELESS GROUP, INC.  

and

Various Subsidiaries of NEXTEL COMMUNICATIONS, INC.

For Consent to Assignment of Licenses

MEMORANDUM OPINION AND ORDER

Adopted: November 30, 2001  
Released: November 30, 2001

By the Deputy Chief, Wireless Telecommunications Bureau:

I. INTRODUCTION

1. In this Order, we grant the applications filed by Chadmoore Wireless Group, Inc. ("Chadmoore") and various subsidiaries of Nextel Communications, Inc. ("Nextel") for assignment of Chadmoore’s 800 MHz and 900 MHz Specialized Mobile Radio ("SMR") licenses and authorizations to Nextel. We deny the requests of some commenters to deny the applications or to impose conditions on the assignments in order to resolve interference issues that have generally arisen between commercial SMR licensees and public safety licensees. Those issues are being addressed elsewhere.

II. BACKGROUND

2. Pursuant to section 310(d) of the Communications Act of 1934, as amended ("the Communications Act"), Chadmoore and Nextel filed applications seeking Commission consent for Chadmoore to assign 1,062 licenses to Nextel. Nextel has a nationwide licensed-area footprint and is the largest provider of mobile telephony services using SMR frequencies, with over seven million subscribers in the United States. Nextel offers a variety of services over a digital, wide-area SMR network using 800 MHz SMR licenses, on a single handset. Nextel’s digital offering is a bundled service that provides customers with interconnected mobile voice along with trunked dispatch service (marketed together under

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1 47 U.S.C. § 310(d).


3 Application, Attachment 2, Public Interest Statement ("Public Interest Statement") at 3 (citing Press Release “Nextel Reports First Quarter 2001 Results,” rel. May 1, 2001).
the brand name “Direct Connect®”)4 that allows instant, real-time conferencing on a one-to-one or one-to-
many basis. Customers may also subscribe to other optional services, including paging and wireless
Internet access.5 In addition to its 800 MHz SMR licenses, Nextel holds licenses in the 220 MHz band,
the 900 MHz SMR band, and Guard Band manager licenses in the 700 MHz band.6 Nextel also has an
attributable interest in Nextel Partners, Inc., which provides digital wireless communications services
using 800 MHz SMR licenses in mid-sized and smaller markets throughout the United States.7

3. Chadmoore provides traditional, analog dispatch services in a number of areas throughout the
country. Most of Chadmoore’s customers are businesses that use radios with non-interconnected access.
According to Chadmoore, a very small percentage of its approximately 35,000 customers have
interconnected access.8

4. On August 17, 2001, by delegated authority,9 the Wireless Telecommunications Bureau
(“Bureau”) issued a Public Notice to establish a pleading cycle to enable interested parties to comment on
the proposed transaction.10 In response to this Public Notice, several local governments filed comments
requesting that we deny or condition grant of the Applications.11 The governments complained generally
of interference between their public safety operations and those of commercial SMR licensees, including
but not limited to Nextel.

III. DISCUSSION

5. As explained below, we find that the assignment of these licenses to Nextel does not pose an
undue risk of harm to competition in U.S. telecommunications markets or any other public interest harm.

4 Direct Connect® provides trunked dispatch customers with an expanded dispatch service area, higher voice quality
and extra security than analog trunked dispatch. Public Interest Statement at 3-4. Upon request, the Direct
Connect® service may be purchased separately without interconnected voice.

5 See id. at 4 n.10.

6 In the Matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993 Annual
Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, 14 FCC Rcd
10,145, 10,176 ¶ 32 (citing Nextel Reports 1998 Results, News Release, Nextel Communications, Inc., Feb. 23,
1999).

7 See The State of the SMR Industry: Nextel and Dispatch Communications, Strategis Report, Sept. 2000 at 47; see
also 47 C.F.R. § 20.6(d)(2).

8 Public Interest Statement at 3.

9 47 C.F.R. § 0.331.

10 See Chadmoore Wireless Group, Inc. and Nextel Communications, Inc. Seek Consent to Assign 800 MHz and 900

Comments of Nextel Communities (Cities of Philadelphia, Pennsylvania; Phoenix, Arizona; and Scottsdale,
Arizona; and Queen Anne’s County, Maryland) (Sept. 23, 2001); Comments of Queen Anne’s County, Maryland
(Sept. 15, 2001) (“Comments of Queen Anne’s County”). Prince George’s County, Maryland also filed a letter
seeking to be kept informed of the proceedings. Letter of Prince George’s County, Maryland (Sept. 10, 2001).
These parties filed their comments also with respect to the application of Pacific Wireless Technologies, Inc. and
Nextel of California, Inc. for consent to assign 800 MHz licenses to this Nextel subsidiary. See In re Applications of
Pacific Wireless Technologies, Inc. and Nextel of California, Inc., WT Docket No. 01-192, DA 01-2685 (WTB, rel.
Nov. 16, 2001).

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In addition, we find that these assignments should result in public benefits. Accordingly, we conclude that, pursuant to section 310(d) of the Communications Act,\(^\text{12}\) grant of the pending requests for assignment of the licenses to Nextel would serve the public interest. We therefore grant the Applications.\(^\text{13}\)

**A. Statutory Authority**

6. Pursuant to Section 310(d) of the Communications Act, the Commission must determine whether the proposed assignment will serve the public interest, convenience, and necessity.\(^\text{14}\) Section 310(d) further requires that we consider the application as if the proposed assignee were applying for the licenses directly under section 308.\(^\text{15}\) Thus, our review includes Nextel’s qualifications to hold licenses. In discharging these statutory responsibilities, we weigh the potential public interest harms of the proposed transaction against the potential public interest benefits to ensure that, on balance, the assignment serves the public interest and convenience.\(^\text{16}\)

**B. Qualifications**

7. In evaluating assignment and transfer applications under section 310(d) of the Communications Act, we generally do not re-evaluate the qualifications of the assignor or transferor unless issues related to their basic qualifications have been designated for hearing by the Commission or have been sufficiently raised in petitions to warrant the designation of a hearing.\(^\text{17}\) In this case, no one has challenged the basic qualifications of Chadmoore, and we find no independent reason to review Chadmoore’s qualifications in the context of this proceeding.

8. By contrast, as a regular part of our analysis, we determine whether the proposed assignee is qualified to hold a Commission license.\(^\text{18}\) Because no one has challenged the basic qualifications of Nextel, and because we have determined in prior proceedings that Nextel is qualified to hold Commission licenses,\(^\text{19}\) we find no reason to conclude otherwise here.

\(^{12}\) 47 U.S.C. § 310(d).

\(^{13}\) We note that the parties reported the transaction pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and that the U.S. Department of Justice did not challenged Nextel’s proposed acquisition of these licenses.

\(^{14}\) 47 U.S.C. § 310(d).

\(^{15}\) Section 310 provides that the Commission shall consider any such applications “as if the proposed transferee or assignee were making application under Section 308 for the permit or license in question.” 47 U.S.C. § 310(d). Furthermore, the Commission is expressly barred from considering “whether the public interest, convenience, and necessity might be served by the transfer, assignment, or disposal of the permit or license to a person other than the proposed transferee or assignee.” Id.

\(^{16}\) See In re Applications of Motorola, Inc., 2001 WL 388253 (WTB rel. Apr. 17, 2001) (“Motorola Order”) at ¶ 6 n. 21 (and additional citations therein).

\(^{17}\) Id. at ¶ 7, note 23 (and additional citations therein).


\(^{19}\) See, e.g., id. at ¶ 8; Geotek Order at ¶ 21.
9. In addition, where applicants seek consent to assign licenses that were won at auction with bidding credits and/or that are still subject to payment obligations, both of which are involved in the proposed transaction, we must ensure that, where applicable, bidding credits are repaid and installment payment obligations are either assumed or paid off. In this case, Chadmoore holds sixteen 900 MHz licenses that were originally obtained at auction with bidding credits and subject to installment payments.\(^\text{20}\) While Nextel does not qualify to take advantage of bidding credits, these licenses are in year six of the license term, so no further bidding credit repayment obligation remains.\(^\text{21}\) Nextel is also not eligible to pay for licenses on installment because its gross assets and revenues exceed the thresholds for these benefits.\(^\text{22}\) Therefore, Nextel may not assume the installment financing obligations connected with these licenses, and the remaining debt must be paid before Nextel and Chadmoore may consummate their proposed transaction.

C. Public Interest Analysis

1. Competitive Issues

10. Where an assignment of licenses involves telecommunications service providers, our public interest determination must be guided primarily by the Communications Act.\(^\text{23}\) Our analysis of competitive effects under the Commission’s public interest standard consists of three steps. First, we determine the markets potentially affected by the proposed transaction.\(^\text{24}\) Second, we assess the effects that the transaction may have on competition in these markets.\(^\text{25}\) Third, we consider whether the proposed transaction will result in transaction-specific public interest benefits.\(^\text{26}\) Ultimately, we must weigh any harmful and beneficial effects to determine whether, on balance, the transaction is likely to enhance competition in the relevant markets.

11. Nextel states that it will use Chadmoore’s licenses to increase Nextel’s capacity and support and improve its offerings.\(^\text{27}\) Chadmoore provides trunked analog dispatch service with its 800 kHz bandwidth that will become paired with Nextel’s services.

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20 The licenses were awarded at auction to Centennial Communications Corporation.


22 47 C.F.R. §§ 1.2111(d) (bidding credits), 1.2111[c] (installment financing), 90.815 (eligibility for small business status).

23 We note that the 1996 amendments to the Communications Act were specifically intended to produce competitive telecommunications markets. AT&T Corporation, et al., v. Iowa Utils. Bd., 525 US 366, 371 (1999).

24 Our determination of the affected markets requires us to identify the Applicants’ existing and potential product offerings, and may require us to determine which products offered by other firms compete or potentially compete with these offerings.

25 Depending on circumstances, this step may include the identification of market participants and analysis of market structure, market concentration, and potential entry.

26 These include but may extend beyond factors relating to cost reductions, productivity enhancements, or improved incentives for innovation. See In re Applications of Aerial Communications, Inc. and VoiceStream Wireless Holding Corporation for Transfer of Control, Memorandum Opinion and Order, 15 FCC RCd 10,089, ¶ 30 n. 82 (WTB/IB 2000) (and cases cited therein); In re Applications of Vodafone AirTouch Plc and Bell Atlantic Corporation, 2000 WL 332670, ¶ 25, n. 49 (WTB/IB 2000) (and cases cited therein). See also, Horizontal Merger Guidelines Issued by the U.S. Department of Justice and the Federal Trade Commission, 57 Fed. Reg. 41,552, §§ 2.1, 2.2, 4 (dated Apr. 2, 1992, as revised, Apr. 8, 1997).

27 Public Interest Statement at 12-14.
MHz and 900 MHz licenses, and Nextel intends to integrate this spectrum into its iDEN network. Consistent with our prior decisions, we will examine the competitive effects of this transaction with respect to two product markets: trunked dispatch and interconnected mobile voice. However, we recognize that these product markets do not foreclose the possibility that we may adopt an expanded market definition in a future transaction. We need not do so here because we approve these applications even under an analysis of these narrower markets.

12. Chadmoore provides trunked dispatch service in 150 Metropolitan Statistical Areas (MSAs). Nextel also provides this service in these MSAs, as part of its Direct Connect® service. As we have said in the past, geographic markets aggregate consumers that face similar choices regarding vendors of a particular product or service. We have generally treated as predominantly local in nature the markets for the mobile wireless services at issue here. Therefore, the relevant geographic market for the analysis of this application are the local markets as defined by these MSAs. However, for purposes of analysis, we typically aggregate individual, local markets where they exhibit similar competitive circumstances, rather than examining each separately. We follow this practice here and treat all local geographic areas together.

13. In analyzing this transaction with respect to its effects on the trunked dispatch market, we adopt the analysis we used in the recent Motorola Order. Chadmoore and Nextel both offer a trunked dispatch service in 150 MSAs and the assignment of these licenses to Nextel will result in the loss of a competing trunked dispatch service provider. However, Nextel is unlikely to be able to exercise market power in these markets for several reasons: (1) there is competition provided by other firms offering trunked dispatch services in those locations; (2) we expect near-term and long-term competitive entry into the trunked dispatch market; and (3) for some consumers, traditional dispatch, private dispatch or data dispatch are viable alternatives to trunked dispatch, providing additional constraint on Nextel. Accordingly, we conclude that approval of these applications would not result in undue competitive harm in these markets for trunked dispatch services.

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28 Id. at 3.

29 Id. at 13.

30 See, e.g., In re Application of AWI Spectrum Co., LLC, 16 FCC Rcd 10945, 10950 ¶ 11 (WTB 2001); Motorola Order at ¶¶ 11-12.

31 See Public Interest Statement at 4. See also, Application at Exhibit 1 and Exhibit 2.

32 Id. at 3-4.

33 Pittencriff Communications, Inc., Transferor, and Nextel Communications, Inc. Transferee, For Consent to Transfer Control of Pittencriff Communications, Inc. and its Subsidiaries, Memorandum Opinion and Order, 13 FCC Rcd 8935, ¶ 37 (WTB 1997).

34 Id. See also Motorola Order at ¶ 25; Geotek Order at ¶ 27, n. 64.

35 Motorola Order at ¶ 25.

36 See id. at ¶¶ 11-24.

37 Application at Exhibit 1.

38 See AWI Spectrum Order at ¶ 14; Motorola Order at ¶¶ 18-20, 22, 31; Geotek Order at ¶¶ 31, 35-41.

39 See Motorola Order at ¶ 32.
14. We define the interconnected mobile voice product market as consisting of all commercially available two-way, mobile voice services, providing access to the public switched telephone network via terrestrial systems. These services are currently provided by cellular, broadband personal communications services (“PCS”), and interconnected, trunked SMR providers. Nextel, or one of its affiliates, provides interconnected mobile voice service throughout most of the country. Chadmoore does not provide interconnected mobile voice service throughout most of the country. Therefore, the assignment of these licenses to Nextel will not result in the loss of a competing interconnected mobile voice provider. We therefore conclude that Nextel’s acquisition of Chadmoore’s licenses will not adversely affect competition in interconnected mobile voice markets.

2. Public Safety Issues

15. The SMR frequencies in the 800 MHz band used by Chadmoore, Nextel and other CMRS providers are adjacent to, or “interleaved” with, frequencies assigned to public safety licensees. The recent expansion of the CMRS systems, particularly SMR systems and cellular networks, using digital technology and employing more intensive frequency reuse has apparently caused interference on the public safety channels. As a result, the Commission convened a working group of public safety licensees, wireless carriers, and equipment manufacturers to consider solutions. One product of that working group was “A Best Practices Guide,” which was issued in December 2000. The Guide notes that older public safety systems, designed for less congested spectrum use, might not be able to reject the “robust” transmissions on the adjacent CMRS channels, and that some digital CMRS networks may be increasing the noise floor above that in which older public safety equipment was intended to operate. The Guide recommends several measures to mitigate the interference.

16. Several commenters believe, however, that the mitigation efforts suggested by the Guide result in sub-optimal use of either the commercial or the public safety systems, or both. They contend that the better solution would be to segregate the public safety spectrum from the spectrum used for commercial purposes. Nextel Communities notes that Nextel is working on such a frequency

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40 See Geotek Order at ¶ 30.
41 Id.; Sixth CMRS Competition Report at 9.
42 See supra ¶ 11.
43 Public Interest Statement at 3.
45 Id.
46 See Comments of Nextel Communities at 3; Comments of Queen Anne’s County at 3; see also Best Practices Guide at 13.
47 See Comments of Nextel Communities at 3; Comments of Queen Anne’s County at 3.
Some Commenters therefore ask that we condition the grant of the Applications on Nextel’s filing a reallocation plan by a prompt and certain date, while others ask that we reject the Applications until the problem is solved.

17. The Applicants respond that the commenters lack standing. They note that none of the commenters is located in areas where Chadmoore has licenses, that they therefore will not be affected by the transaction, and that, accordingly, they are not parties in interest. Nextel Communities denies that it needs standing to ask the Commission to condition the grant of the Applications in the public interest. We agree that the commenters have not shown how they would be harmed by grant of the Applications or how denying the Applications would provide relief with respect to these public safety issues, and that they therefore lack standing. Accordingly, we decline to deny or condition the Applications as they request.

18. We further deny the commenters’ request because it is not related to the transaction before us. We do not impose remedies where the harms have not been shown to be merger-specific. Here, the commenters have not shown how granting the Applications would increase the likelihood or magnitude of the harms of which the commenters complain. Chadmoore already uses the frequencies at issue for CMRS service, and after the transaction, Nextel proposes to continue that use. Moreover, Chadmoore states that it has received no complaints from these entities, which the commenters do not dispute. The commenters have, therefore, failed to show any harms that might arise from this transaction. Rather, the commenters are attempting to use our review of the transaction to solve a problem that not only is unrelated to the transaction before us but, as they admit, is not specific to Chadmoore or Nextel. While the issues raised by the commenters are very important, we decline to use this proceeding to force

48 Comments of Nextel Communities at 6.

49 See Comments of Nextel Communities at 6; Comments of Queen Anne’s County at 6.

50 See Washington D.C. Letter at 3; Hamilton, Ohio Letter at 1.

51 Consolidated Opposition of Nextel Communications, Inc., filed Sept. 27, 2001 (“Nextel Opposition”) at 3; Opposition of Chadmoore Wireless Group, filed Sept. 25, 2001 (“Chadmoore Opposition”) at 2-4. We grant the applicants’ individual requests for additional time to file their oppositions in this proceeding. Because the comments were filed in both this proceeding and in WT Docket No. 01-193, the applicants requested an additional three days to file these oppositions, which would align the pleading cycles of this docket and WT Docket No. 01-193 and eliminate duplicative filings.

52 Nextel Opposition at 3; Chadmoore Opposition at 2-4.

53 Reply Comments of Nextel Communities at 1-2.


56 Chadmoore Opposition at 4.

57 See Comments of the District of Columbia at 1 n.1 (“all of the matters raised in this letter are applicable to any carrier transmitting in the current interleaved frequency assignment environment.”).
Nextel to file what is in essence a petition for rulemaking on behalf of the CMRS and public safety communities, or to deny the Applications until that rulemaking is completed. Finally, we note that Nextel has recently filed a proposal to eliminate CMRS-public safety interference in the 800 MHz band. 58

3. Public Interest Benefits

19. Applicants contend that by integrating Chadmoore’s spectrum into Nextel’s nationwide network, the proposed transaction will put the spectrum to more efficient use by achieving additional economies of scope and scale. 59 They contend the transaction will allow Nextel to compete better in the CMRS marketplace. 60 They also contend that the additional frequencies will allow Nextel to react in a more flexible manner if its operation did affect public safety licensees. 61 We agree with Applicants that the more efficient use of spectrum, the additional services that will be provided to Chadmoore’s current customers, Nextel’s increased ability to compete in the CMRS marketplace, and its increased ability to resolve interference issues with the public safety channels all constitute transaction-specific public interest benefits.

D. CONCLUSION

20. We find that the proposed transaction is not likely to cause competitive harm in interconnected mobile voice or trunked dispatch markets, and that it is likely to produce public interest benefits. Therefore, on balance, we find that the proposed transaction is in the public interest. We also decline to condition this grant on a requirement that Nextel file a plan for frequency reallocation.

E. ORDERING CLAUSES

21. ACCORDINGLY, IT IS ORDERED, pursuant to sections 4(i) and (j), 309, and 310(d) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 309, and 310(d), and Section 0.331 of the Commission’s rules, 47 C.F.R. § 0.331, that the requests of Gregory A. Wenz, the Government of the District of Columbia, the Nextel Communities, and Queen Anne’s County, Maryland, that we deny or condition these Applications ARE DENIED.

22. IT IS FURTHER ORDERED, pursuant to sections 4(i) and (j), 309, and 310(d) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 309, 310(d), that the Applications filed by Chadmoore Wireless Group, Inc, to assign its licenses to various subsidiaries of Nextel Communications, Inc., IS GRANTED.

23. IT IS FURTHER ORDERED, pursuant to section 310(d) of the Communications Act of 1934, as amended, 47 U.S.C. § 310(d), and sections 0.331, 1.2110(g) and 1.2111(c) of the Commission’s rules, 47 C.F.R. §§ 0.331, 1.2110(g), 1.2111(c), that the approval herein of the assignment of ULS File No. 0000556486, which pertains to sixteen 900 MHz licenses that remain on the installment payment plan is CONDITIONED upon payment in full of all amounts owed to the United States for these licenses on or


59 Public Interest Statement at 12-15.

60 Id. at 14-15.

61 Nextel Opposition at 3-4.
before consummation of the contemplated transaction. No license currently subject to outstanding installment financing obligations will be issued to the assignee until the Commission receives notification pursuant to section 1.948(d) of the Commission's rules, 47 C.F.R. § 1.948(d), that all conditions that must be met at or before consummation have been satisfied, including payment in full. Failure to comply with any of the financial obligations described above will result in automatic cancellation of the Commission's approval hereunder and in dismissal of the relevant assignment application.

24. This action is taken on delegated authority under section 0.331 of the Commission's rules, 47 C.F.R. § 0.331.