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BELLSOUTH

Gary W. Hight
Director-Federal Regulatory

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April 22, 1994

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APR 22 1994

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

RE: CC Docket No. 90-314
Ex Parte Presentation

Dear Mr. Caton:

In accordance with the requirements of Sections 1.1200 et seq. of the Commission's Rules, you are hereby notified that on April 22, 1994, Gary W. Hight, Executive Director-Federal Regulatory, BellSouth Corporation met separately with Karen Brinkman, Special Assistant to Chairman Hundt and Rudy Baca, Legal Advisor to Commissioner Quello. During the meetings, we discussed issues addressed in Petition for Reconsideration and comments filed on behalf of BellSouth Corporation and certain of its subsidiaries in the referenced proceeding. The enclosed document was used for discussion purposes.

Please associate this notification with the docket in the referenced proceeding.

If there are any questions in this regard, please contact the undersigned.

Sincerely,



Gary W. Hight
Executive Director-Federal Regulatory

Attachment

cc: Karen Brinkman
Rudy Baca

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

AGENDA

- 20 MHz Allocations Required
- Open Eligibility
- Spectrum Equality

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Public Policy Objectives

- Competition for existing telecommunications providers
- Universality, diversity of new services
- Diversity in ownership
- Significant revenue contribution to reduction of budget deficit

The FCC has the challenge of meeting these objectives.

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10 MHz Service Concepts Tested

- 1) Low Power, Limited Mobility (Pedestrian Speed Hand Off)
 - Shared telco infrastructure
 - WACs architecture (TDMA)
 - Low cost network and handsets
- 2) Combination - Limited Mobility + Cellular
 - WACs architecture, shared telco infrastructure
 - Dual mode handset (PCS + 800 MHz cellular)
- 3) Combination - Full Mobility PCS + Cellular
 - DCS 1900 PCS architecture

Business cases were developed for each service concept and modeled within a BellSouth test market with 1.5M pops.

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Business Case Results - 2010

	<u>Limited Mobility PCS</u>	<u>Limited Mob. PCS+Cellular</u>	<u>Full PCS +Cellular</u>
Cumulative Market Share	5%	15%	15%
Year End Subscribers	26K	78K	78K
Revenue	\$15M	\$55M	\$57M
Cumulative Capital	\$87M	\$87M	\$135M
Cum. Free Cash Flow - 2010	(\$179M)	(\$28M)	(\$73M)

Assumes 0% Cost of Capital

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Limitations on 10 MHz Licenses

Spectrum limitations dictate.....

- Single application, mobility only
- Low usage service, no wireline replacement

Competitive implications.....

- Fragmented market
- Lower functionality and/or capacity
- Inability to differentiate from existing providers' services
- Limited market share

Financial impact.....

- Low revenue per subscriber
- High fixed costs

Diversity Of Ownership/ Eligibility

- Address diversity of ownership objectives through financial incentives and open, non-controlling equity partnerships (rather than set asides)
- Provide designated entities with the flexibility to select partners with resources and skill sets required to make their business a success

Revenue Contribution To Deficit Reduction

- Expand the number of participants in the auction by increasing aggregation limits to 45 MHz
- Spectrum equivalency for all players will generate more value than an unbalanced licensing scheme
- Likelihood of players bidding on any spectrum block increases as licenses are seen as equal

Proposed Allocation Plan

- All Licenses of equal spectrum
- Existing providers not restricted from competing in any market
- Encourages efficient utilization of spectrum

A 20 MHz license plan eliminates many current problems and supports the FCC's goals for a competitive PCS market

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BellSouth 20 MHz Frequency Plan

