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May 27, 1994

HAND DELIVER

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

RECEIVED

MAY 27 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Re: GEN Docket No. 90-314 ✓
PP Docket No. 93-253
Ex Parte Presentation

Dear Mr. Caton:

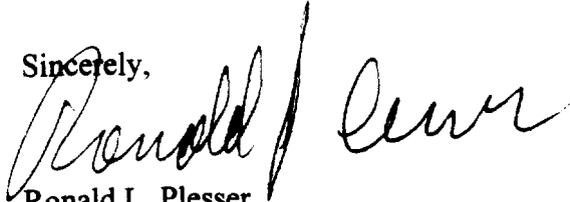
Pursuant to Section 1.1206 of the Commission's Rules, this letter is to advise you Douglas G. Smith and Timothy Hopple of Omnipoint Corporation met with Mr. Ralph Haller, of the Commission's PCS Task Force, and Beverly Baker, Deputy Chief of the Commission's Private Radio Bureau. Mark O'Connor, of this office, and I were also in attendance at the meeting. At the meeting the following issues concerning the reconsideration of the Second Report and Order, GEN Docket No. 90-314 were discussed: (1) the issues affecting unlicensed PCS; (2) the assignment of spectrum to PCS licenses, including recent proposed band plans. In addition, we discussed issues concerning the definition and treatment of "small business" for purposes of designated entity status in the competitive bidding process for 2 GHz PCS. Attached is a copy of a recent newspaper article from the Morris County Daily Record that was given to Mr. Haller during the meeting. Lastly, I made a short presentation on behalf of PCS Action, Inc. concerning recent band plan proposals, consistent with the ex parte letter filed this day on behalf of PCS Action, Inc.

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Mr. William F. Caton
May 27, 1994
Page 2

In accordance with the Commission's rules, I hereby submit one original and one copy of this letter.

Sincerely,



Ronald L. Plesser

Enclosure

cc: Ralph Haller
Beverly Baker
William Kennard

MJO/mjo

How important is this man?

Bell Atlantic battles for cellular customers on home turf in Morris

By **BERNARD CONDON**
Daily Record

Cellular telephones, once perks of business executives and the rich, are turning middle class.

Bell Atlantic Mobile and Cellular One, the dominant wireless companies in Morris County, are battling each other for the common citizen here, marketing their product as the new standard item for American families and matching each other in rebates on phone purchases to make it all seem affordable.

But is it likely that fierce competition will continue to bring cellular costs down and democratize the technology?

The answer, in the short run, is yes.

Aside from the competition between the two companies, a new kind of wireless communication not yet available — PCS — might force the two cellular providers to offer not just phones cheaply but service, too. Some analysts say it already is prodding Bell Atlantic Mobile and Cellular One to cut prices.

In the long run, however, today's battles for market share are giving these two titans a head start that could help knock out most of these PCS upstarts.

"They figure that if they get the customers now, my ability to get customers later will become much more problematic," said Terrence P. McGarty, a Florham Park investor who plans to set up a PCS system. "I'll have to spend a lot more money."

Easy profits

Bell Atlantic Mobile and Cellular One, once content with attracting mostly business users, have found a ripe market among people who want cellular phones in their cars in case of emergencies — like the snowstorm this winter that forced Route 287 traffic into 12-hour standstills, spreading fear among families at home unable to contact their loved ones. In recent months, people who cite security and other non-business reasons for buying a cellular phone have represented as much as 60 percent of new cellular customers, compared with 25 percent in 1988.

But these customers seldom use their phones. That's a problem for Bell Atlantic Mobile and Cellular One, which don't make phones and so must get their money from monthly fees and call charges.

"It's easy to make a profit when customers are high-use businessmen, but not so easy when they see cellular as an insurance policy for emergencies," said Herschel Shosteck, a telecommunications analyst in Silver Springs, Md.



JOHN BELL / Daily Record

Mike O'Brien, a Bridgewater resident who works in Morristown, represents the cellular industry's most prized customer — and possibly its biggest headache. He doesn't use his phone often enough to build profits.

"The answer is to sign up as many customers as possible."

A new problem

Looming over all this competition is PCS, or Personal Communication Services, which some suspect is adding to the urgency of the battle for market share now.

The appeal of PCS is that it uses a technology called microcellular, which allows for smaller and cheaper phones. PCS is also a digital communication. Digital gives clearer reception than the analog technology used by most cellular networks. Digital also promises to make it easier to incorporate more gee-whiz features.

The government is expected to auction off the PCS radio bands for commercial use early next year.

The race is on

Meanwhile, cellular companies are racing to sign up customers.

One tactic: advertising. A lot of advertising.

On Jan. 13, James Earl Jones, the actor with the reassuringly deep voice, started pitching Bell Atlantic Mobile's wireless service to television viewers, or rather those viewers thinking of purchasing a cellular phone for security — say, if their car gets stuck on the road.

The message is phone callers can rest assured that their calls will be connected cleanly with Bell Atlantic Mobile,

which, like most cellular companies, is upgrading its cell sites with digital technology.

Cellular One of New York & New Jersey, the company operating in Morris County and one of many Cellular One groups nationwide, has also launched advertisements to the potential personal-use customer.

One advertisement in local newspapers, begun in mid-April, shows a car listing to one side.

Thwump! Thwump!

The caption: "THWUMP! What the? THWUMP! THWUMP! Uh-oh! THWUMP! THWUMP! THWUMP! If only I had a cellular phone."

At the bottom: "\$29.95 and the phone is yours."

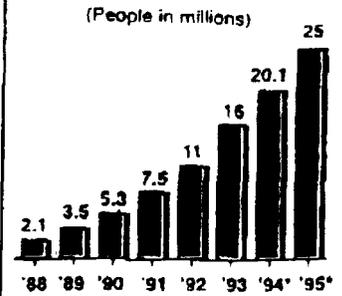
Cellular One provides a rebate of \$50 off a \$79.95 cellular phone in exchange for customers' guarantees they will remain a Cellular One customer for at least one year.

"Every day, the competition gets fiercer," said Steve Fleischer, a spokesman for Bell Atlantic Mobile, which also subsidizes phone purchases to lure customers. His company recently added 100 people to its Bedminster-based sales force.

So far, all this competition has done a good job of boosting the customer base on both sides.

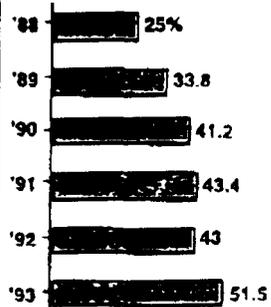
Nynex Mobile, which now is managed in New Jersey by Bell Atlantic Mobile,

Cellular users increasing

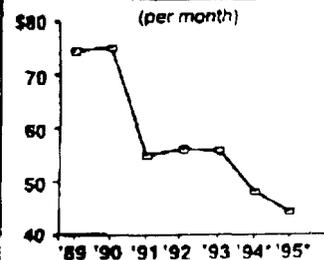


Private owners outnumber business users

(percent of new private customers)



Revenue from average new customer declining



* projected

Source: Herschel Shosteck Associates, survey of top 10 cellular companies

RENEE SUDDO / Daily Record

saw a surge in customers signing on for personal use at the end of last year and the surge has continued, said Jim Geraco, a company spokesman.

Its competition, Cellular One of New York & New Jersey, considers the first four months of this year its "single biggest growth period," said Tom Kolley, vice president for marketing.

See PHONE /03

Monarch Savings	2.50	2.54	N/A	N/A	3.45	3.51	3.92	4.00	4.79	4.91	N/A	N/A
Skylands Community	2.50	2.53	2.50	2.52	2.75	2.78	3.50	3.56	4.00	4.07	4.50	4.59
Summit	2.73	2.75	2.19	2.25	2.53	2.60	2.92	3.00	3.58	3.70	4.53	4.70
Valley National	2.50	2.53	3.00	3.05	3.25	3.30	3.92	4.00	4.25	4.34	5.00	5.13

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Sounds impressive.
But can Nynex Mobile and others make a profit off these new subscribers? Last year, the average new customer spent about \$44 a month on calls and fees, compared with about \$74 a month in 1988, said Shosteck, the Silver Springs consultant.

Nynex Mobile, like the others, is playing around with pricing plans to get customers to use cellular phones more. Three weeks ago, after months of test trials, it started offering service for \$19.99 a month with 30 minutes of free calls. And customers are increasingly using the cellular phones for more than emergencies, Gerace said.

Curt Bush, owner of cellular retailer The Finishing Touch in Morristown, isn't sure about that. He concedes that many of his customers use the phone more often than they anticipate. But the typical customer, Bush said, is more like Mike O'Brien, a Bridgewater resident who works in Morristown.

O'Brien's plan charges 95 cents a minute at peak times. But the

high cost doesn't bother him. He bought the phone in case he breaks down in his car along Route 287 while driving to and from F&G Re Inc., his Morristown employer. He makes about four calls a month.

"I bought it for peace of mind," O'Brien said.

Price will be key

Bell Atlantic Mobile is trying to combat this by offering enhanced services designed to convince people cellular is worth the cost.

In Pittsburgh, for example, the company is testing a technology that assigns one telephone number to customers and then automatically sends calls to them whether in the office or the home or between the two, in the car, next to the cellular phone.

But analysts say that the war for the average customer will be based ultimately on price — and not just subsidies for phone set purchases, but access fees and charges per minute.

That's where competition from PCS comes in. It could force the price competition.

Consider the strategy of McGarty, the Florham Park PCS enthusiast. His plan, if he wins the government auction, is to attack Massachusetts — not New

Jersey — but the tactics he expects to use might reflect that of other PCS competitors nationwide.

McGarty's planned tactic: charge \$20 or \$25 a month, with unlimited local calling.

Competition killers

Roy Solomon, a former Nynex Mobile sales force chief, thinks much of this competition, however, will prove short-lived. He predicts that Bell Atlantic Mobile and Cellular One, with their big market shares and abundant sources of revenue, will kill many of the new competitors in their infancy.

Prices won't drop fast, Solomon said, and cellular users, now 6 percent of the U.S. population, will rise to only 10 percent in 10 years.

McGarty predicts 40 percent. To judge from what Bell Atlantic Mobile is saying, PCS's demise should be quick.

"We don't have to build towers to provide service, like PCS. And even if we did, we already have the real estate to do it," said Lonnie Lauer, vice president for New Jersey sales at Bell Atlantic Mobile. "And we will have more to offer than PCS in terms of coverage and services."

Bergen drug maker discontinues study

FORT LEE — Chemex Pharmaceuticals said Friday it will discontinue research into a new dermatitis treatment.

Results of a pilot study of the proposed new compound "did not show sufficient efficacy to warrant further development" the company said in its announcement.

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