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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

October 1, 1999

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By Messenger

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room TW-A325  
Washington, D.C. 20554

Re: EX PARTE  
IB Docket 99-81, RM 9328; ET Docket 95-18

Dear Ms. Salas:

On September 30, 1999, Richard DalBello, Francis Coleman and the undersigned, representing ICO Services Ltd. ("ICO") and Peter Hadinger of TRW and Norman Leventhal of Leventhal, Senter & Lerman, both representing the ICO USA Service Group, met with Don Abelson, Linda Haller, Karl Kensinger, Chris Murphy and Howard Griboff of the International Bureau to discuss the above-captioned proceedings. The representatives briefed the staff on ICO's current financial situation and explained the actions ICO is taking to restructure its finances and review its business plan. The representatives reviewed the ICO/IUSG 2 GHz licensing proposal outlined in the parties' previous filings with the Commission and in the attached handout. Finally, the representatives discussed the interrelationship between the 2 GHz mobile satellite service ("MSS") licensing proceeding and the 2 GHz allocation and relocation proceeding, and reviewed the attached September 30, 1999 ex parte letter demonstrating the disparate impact of relocation costs upon 2 GHz MSS service providers.

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Ms. Magalie Roman Salas  
October 1, 1999  
Page Two

Pursuant to Section 1.1206(b)(1) of the Commission's rules, an original and one copy of this letter are provided to the Secretary for inclusion in the record.

Very truly yours,

  
Cheryl A. Tritt

Attachments

cc: Don Abelson  
Linda Haller  
Karl Kensinger  
Chris Murphy  
Howard Griboff

9/30/99

## **INEA IS THE ONLY SOLUTION**

IB Docket No. 99-81

The IUSG and ICO sponsored *Integrated Negotiated Entry Approach* ("INEA") is the only realistic solution for 2 GHz MSS.

- No agreement by the nine applicants on the licensing band plan is likely, but there is clear and widespread acknowledgment of the need for the spectrum and financial flexibility that the INEA can best provide.
- INEA's virtues and carefully developed safeguards — for guaranteed spectrum access, expeditious dispute resolution and cost equalization — are ignored by almost all other applicants.
- The extant circumstances — numerous domestic and foreign applicants at various stages of readiness — require a licensing approach that departs from established practice.
- Only the INEA offers a licensing plan designed to facilitate the orderly and equitable relocation of 2 GHz incumbents; all other plans ignore this critical component.
- Only the INEA takes realistic account of the effect of the 2 GHz licensing process on international coordination and minimizes the use of Commission resources in this regard.

# Chart 1

## Impact of Relocation Costs in U.S.

### Satellite vs PCS

		amortized	1 year	2 years	3 years	4 years	5 years	6 years
		year of service	1997	1998	1999	2000	2001	2002
<b>Subscribers - U.S. PCS market<sup>1</sup></b>			1,170,000	3,480,000	9,980,000	15,270,000	20,790,000	26,080,000
estimated minutes	@100 per month		1,404,000,000	5,148,000,000	11,976,000,000	18,324,000,000	24,948,000,000	31,296,000,000
accumulated minutes			1,404,000,000	6,552,000,000	18,528,000,000	36,852,000,000	61,800,000,000	93,096,000,000
Cost per minute	\$10M amortized		0.01	0.00	0.00	0.00	0.00	0.00
Cost per minute	\$20M amortized		0.01	0.00	0.00	0.00	0.00	0.00
Cost per minute	\$40M amortized		0.03	0.01	0.00	0.00	0.00	0.00
Cost per minute	\$100M amortized		0.07	0.02	0.01	0.00	0.00	0.00
Cost per minute	\$200M amortized		0.14	0.03	0.01	0.01	0.00	0.00
Cost per minute	\$400M amortized		0.28	0.06	0.02	0.01	0.01	0.00

		amortized	1 year	2 years	3 years	4 years	5 years	6 years
		year of service	1999	2000	2001	2002	2003	2004
<b>Subscribers - Global MSS market<sup>2</sup></b>			33,000	511,000	1,065,000	1,691,000	2,538,000	3,375,000
USA - estimated proportion	25%		8,250	127,750	266,250	422,750	634,500	843,750
estimated minutes	@100 per month <sup>3</sup>		9,900,000	153,300,000	319,500,000	507,300,000	761,400,000	1,012,500,000
accumulated minutes			9,900,000	163,200,000	482,700,000	990,000,000	1,751,400,000	2,763,900,000
Cost per minute	\$10M amortized		1.01	0.06	0.02	0.01	0.01	0.00
Cost per minute	\$20M amortized		2.02	0.12	0.04	0.02	0.01	0.01
Cost per minute	\$40M amortized		4.04	0.25	0.08	0.04	0.02	0.01
Cost per minute	\$100M amortized		10.10	0.61	0.21	0.10	0.06	0.04
Cost per minute	\$200M amortized		20.20	1.23	0.41	0.20	0.11	0.07
Cost per minute	\$400M amortized		40.40	2.45	0.83	0.40	0.23	0.14

**Multiplier effect**

	141 x	39 x	37 x	36 x	34 x	33 x
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**Notes**

1. As presented in Feb. 1998 issue of *newwaves*. Subscribers in PCS market include both TDMA and CDMA. 1997 figures include 40,000 subscribers from 1996.
2. As presented by Merrill Lynch in April 14, 1999 issue of *Global Satellite Marketplace '99*, for a typical MSS system not required to make relocation payments.
3. As presented by Lehman Brothers in Dec. 8, 1997 issue of *Cell Sites in the Sky - The Emerging Mobile Satellite Communications Industry*.

Chart 1

USA cost per minute impact and multiplier effect, assuming 100 minutes per month of MSS usage  
(See attached cover letter for further explanation)

10/1/1999

Prepared by ICO Global  
Communications

## Chart 2 Impact of Relocation Costs in U.S. Satellite vs PCS

		amortized year of service	1 year 1997	2 years 1998	3 years 1999	4 years 2000	5 years 2001	6 years 2002
<b>Subscribers - U.S. PCS market<sup>1</sup></b>			1,170,000	3,480,000	9,980,000	15,270,000	20,790,000	26,080,000
estimated minutes	@100 per month		1,404,000,000	5,148,000,000	11,976,000,000	18,324,000,000	24,948,000,000	31,296,000,000
accumulated minutes			1,404,000,000	6,552,000,000	18,528,000,000	36,852,000,000	61,800,000,000	93,096,000,000
Cost per minute	\$10M amortized		0.01	0.00	0.00	0.00	0.00	0.00
Cost per minute	\$20M amortized		0.01	0.00	0.00	0.00	0.00	0.00
Cost per minute	\$40M amortized		0.03	0.01	0.00	0.00	0.00	0.00
Cost per minute	\$100M amortized		0.07	0.02	0.01	0.00	0.00	0.00
Cost per minute	\$200M amortized		0.14	0.03	0.01	0.01	0.00	0.00
Cost per minute	\$400M amortized		0.28	0.06	0.02	0.01	0.01	0.00

		amortized year of service	1 year 1999	2 years 2000	3 years 2001	4 years 2002	5 years 2003	6 years 2004
<b>Subscribers - Global MSS market<sup>2</sup></b>			33,000	511,000	1,065,000	1,691,000	2,538,000	3,375,000
USA - estimated proportion	25%		8,250	127,750	266,250	422,750	634,500	843,750
estimated minutes	@50 per month		4,950,000	76,650,000	159,750,000	253,650,000	380,700,000	506,250,000
accumulated minutes			4,950,000	81,600,000	241,350,000	495,000,000	875,700,000	1,381,950,000
Cost per minute	\$10M amortized		2.02	0.12	0.04	0.02	0.01	0.01
Cost per minute	\$20M amortized		4.04	0.25	0.08	0.04	0.02	0.01
Cost per minute	\$40M amortized		8.08	0.49	0.17	0.08	0.05	0.03
Cost per minute	\$100M amortized		20.20	1.23	0.41	0.20	0.11	0.07
Cost per minute	\$200M amortized		40.40	2.45	0.83	0.40	0.23	0.14
Cost per minute	\$400M amortized		80.81	4.90	1.66	0.81	0.46	0.29

**Multiplier effect**

	283 x	79 x	76 x	73 x	70 x	66 x
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**Notes**

1. As presented in Feb. 1998 issue of *newwaves*. Subscribers in PCS market include both TDMA and CDMA. 1997 figures include 40,000 subscribers from 1996
2. As presented by Merrill Lynch in April 14, 1999 issue of *Global Satellite Marketplace '99*, for a typical MSS system not required to make relocation payments

Chart 2  
USA cost per minute impact and multiplier effect, assuming 50 minutes per month of MSS usage  
(see attached cover letter for further explanation)

10/1/1999  
Prepared by ICO Global  
Communications