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February 23, 2005

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: NOTICE OF WRITTEN EX PARTE PRESENTATION CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, and NSD File No. L-00-72

Dear Ms. Dortch:

Transmitted herewith on behalf of TracFone Wireless, Inc. (TracFone) is a study prepared for TracFone by TNS Telecoms, entitled "Wireless Provider Bill Analysis 3rd Quarter, 2004." TNS Telecoms is a prominent telecommunications market information company, located at Jenkintown, Pennsylvania.

This study was prepared by TNS Telecoms at TracFone's request for the purpose of providing quantitative support for the position which has been articulated by TracFone in these proceedings. TracFone has stated on the record that before the Commission further considers any radical change to the Universal Service Fund (USF) contribution methodology, it should first determine whether the current revenues-based methodology is being implemented in a manner which will provide maximum USF support, and whether adjustments can be made to the current methodology which will increase the level of USF funding. Specifically, TracFone has maintained that a safe harbor for wireless services no longer is necessary and that the current Commission-established wireless safe harbor of 28.5% established in 2002 is limiting the amount of USF support from the wireless segment of the industry. TracFone believes that a safe harbor is no longer necessary since virtually all wireless providers are able to identify the originating and terminating locations of calls (or at least originating and terminating cell sites). TracFone also believes that the level of interstate usage of wireless services, especially by business or enterprise customers, is well above 28.5%.

TNS examined a sampling of residential consumer wireless invoices provided by customers of major wireless carriers for the third quarter 2004. According to the data compiled by TNS, 31.1%

of those customers' wireless usage was interstate usage. For several major carriers, including Verizon Wireless, Sprint PCS, Cingular, and T-Mobile, residential interstate usage was higher than the industry average of 31.1%.

While TNS data are useful, the Commission and its staff should recognize that the data base used by TNS is imperfect and is likely to significantly understate actual interstate usage. However, TracFone has sought such quantitative data from various sources and discovered that TNS's "bill harvesting" data are the only data available. TracFone deems it necessary to bring to the Commission's attention the following limitations of the TNS data:

First, only residential customer bills were studied. If, as TracFone believes to be so, business customers tend to make a greater portion of interstate calls than do residential users, then the absence of any business or enterprise customer bills from the TNS bill harvesting data is likely to significantly understate the overall portion of interstate use of wireless services. The absence of any billing data for business/enterprise customers seems to especially skew the data for those wireless providers whose services are marketed primarily to enterprise customers. For example, Nextel ("How business gets done") is a business-focused provider which has relatively few residential customers. Inclusion of a sampling of Nextel's business customer base in the TNS billing data most certainly would reveal significant interstate usage.

Second, in identifying calls as interstate or intrastate based on invoice call detail, TNS uses the originating NPA rather than the originating cell site as the point of origin for calls. As a result calls made by business users to their homes or offices while on travel will usually appear as intrastate calls rather than interstate calls which they are (*e.g.*, calls made from a cell phone with a 202 NPA to a location in the District of Columbia will be counted as intrastate calls even when the caller is calling from a location outside the District of Columbia).

Despite these infirmities in the TNS data which significantly understate interstate usage, this was the only source of bill analysis data which TracFone found to be available. Even with the limitations described above, the TNS study shows that the average wireless industry percentage of interstate usage is well above 28.5%. In considering the need for elimination – or at least upward revision – of the wireless safe harbor, the Commission and staff should recognize that, under the current rules, the safe harbor is not an industry average but rather functions as a "cap" on reported interstate usage for USF contribution purposes. Those carriers whose overall interstate usage is above 28.5% will report their interstate usage as 28.5% under the safe harbor rule; those carriers whose overall interstate usage is below 28.5% will report their actual interstate usage since such usage is easily identifiable and measurable.

That actual interstate wireless usage levels are well above the current 28.5% safe harbor level is further corroborated by other sources. For example, in an article in the October 21, 2004 issue of the Wall Street Journal, Gary Forsee, President and CEO of Sprint Corporation states that " . . . Over 40% of the long-distance minutes are now going over wireless . . . ." Mr. Forsee's statement supports the view that a substantial portion of interstate long distance traffic has migrated from wireline

interexchange carriers to wireless providers. The data provided by TNS, notwithstanding its limitations noted above, demonstrate that interstate usage of wireless service is high and is growing.

If the Commission has doubts about the actual level of interstate usage throughout the wireless industry, TracFone urges the Commission to use its audit and investigatory authority under the Communications Act to audit carriers' billing and call record data to enable it to determine what portion of total usage throughout the wireless industry – residential and business service of all carriers – really is interstate. TracFone is confident that a comprehensive analysis of the wireless industry will show that interstate usage industry-wide is significantly above 28.5%.

Pursuant to Section 1.1206(b) of the Commission's rules, this letter is being filed electronically. If you have questions about this submission, please communicate directly with undersigned counsel for TracFone.

Respectfully submitted,

Mitchell F. Brecher

enclosure

cc: Ms. Lisa Gelb
Mr. James Lande
Mr. Rodger Woock
Ms. Cathy Carpino
Mr. Anthony Dale
Mr. Rich Lerner
Ms. Narda Jones
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Wireless Provider Bill Analysis
3rd Quarter, 2004

Presented to:

«TracFone nationwide prepaid wireless

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Analysis Objective

- To provide TracFone with an analysis of wireless phone usage from TNS Telecoms' syndicated tracking data that analyzes average spending for the top wireless carriers as well as IntraState and InterState minutes and messages.

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TNS Telecoms Syndicated Data Overview:
ReQuest® Residential Survey

- Telecom survey mailed out to demographically balanced cross sectional panel of US households
  - ➢ Responses received from 30,000 households each quarter
- Assesses behavior, attitudes, switching propensities, price sensitivities, customer satisfaction, usage, switching, and new product and service perceptions regarding the use of alternative service providers
- 80% of survey is comprised of tracking questions that remain constant each quarter
- 20% of survey is comprised of "Special Studies" questions based on client input and topical issues
- Option for over samples of areas or follow-up research
- Data available from 1997 onward

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TNS Telecoms Syndicated Data Overview:
Bill Harvesting®

- ReQuest® respondents are then asked to participate in Bill Harvesting® by sending:
  - Local bills
  - Wireless bills
  - Long Distance bills
  - Cable/Satellite TV bills
  - Internet bills / Credit Card Statement
  - Telecom related direct mail pieces received in month
  - All bill inserts included with bill
- Minimum of 8,000 households respond each quarter
- All bill information is captured including summary, regional/calling plan information, features/services and call detail
- Complete internal process from sorting to data capture to web delivery
- Data available from 1997 onward

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Wireless Bill Analysis

Analysis Methodology

- Results are reported for the third quarter, 2004 at the national level utilizing TNS Telecoms' ReQuest consumer survey and associated Bill Harvesting efforts
- Segmentation is by the top wireless providers
- Metrics
  - Average minutes of use
  - Average bill totals
  - IntraState call detail
  - InterState call detail
- Averages are calculated at the line level
- Only outgoing wireless calls are included in the call detail analysis
- Analysis is based only on wireless bills with call detail information
- InterState calls are determined using the wired line originating NPA's state and the terminating NPA's state

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Analysis Methodology, continued

- Where the call detail was not explicitly clear using the originating and terminating NPA methodology, the following call categories were designated as InterState:
  - 800 calls
  - 900 calls
  - International calls
- Where the call detail was not explicitly clear using the originating and terminating NPA methodology, the following call categories were designated as Unclassified:
  - Directory Assistance
  - Voice Mail
- The call detail analysis excludes non-voice calls, such as text messaging and data calls

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Analysis of Average Charge

Average Charge

Wireless Company	Average Charge	Average Charge No Tax	Average Tax	Average Total Minutes Used*
Nextel	$77.88	$66.97	$10.91	581.4
Sprint PCS	$50.97	$41.00	$9.97	554.4
ALLTEL	$46.96	$40.06	$6.90	383.9
Verizon Wireless	$46.28	$40.32	$5.96	455.2
Cingular	$45.04	$38.24	$6.80	430.4
AT&T Wireless	$43.63	$36.85	$6.78	350.1
T-Mobile	$42.84	$36.69	$6.14	505.9
Other	$40.01	$34.30	$5.71	384.2
National Average	$46.77	$39.93	$6.84	445.7

TNS Telecoms Bill Harvesting Data

*Includes both incoming and outgoing calls

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Analysis of Call Detail

Average Total Minutes and Messages

Average Total Minutes & Messages - 3Q04		
Wireless Company	**Average Total Minutes**	**Average Total Messages**
Verizon Wireless	373.8	106.0
Sprint PCS	373.0	115.2
T-Mobile	342.7	106.1
ALLTEL	305.8	85.7
AT&T Wireless	273.2	95.8
Cingular	233.9	68.9
Nextel**	108.5	42.3
Other	239.6	78.2
National Average	286.4	89.5

** Low sample size

TNS Telecoms Bill Harvesting Data

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IntraState Call Detail

Percent of IntraState Minutes & Messages to Total 3Q04		
Wireless Company	% IntraState Minutes	% IntraState Messages
Nextel**	82.2%	86.0%
ALLTEL	71.5%	77.5%
AT&T Wireless	68.6%	75.6%
T-Mobile	67.6%	80.3%
Sprint PCS	67.0%	74.2%
Cingular	65.8%	74.4%
Verizon Wireless	59.4%	69.6%
Other	72.5%	79.3%
National Average	67.2%	75.6%

** Low sample size

Average IntraState Minutes & Messages 3Q04		
Wireless Company	Average IntraState Minutes	Average IntraState Messages
Sprint PCS	278.3	95.2
T-Mobile	259.2	95.2
Verizon Wireless	242.5	80.6
ALLTEL	233.6	71.0
AT&T Wireless	209.0	80.7
Cingular	185.4	61.7
Nextel**	105.1	42.9
Other	192.1	68.5
National Average	217.0	76.3

** Low sample size

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InterState Call Detail

Percent of InterState Minutes & Messages to Total 3Q04		
Wireless Company	**% InterState Minutes**	**% InterState Messages**
Verizon Wireless	37.1%	21.8%
Cingular	33.0%	23.9%
Sprint PCS	32.8%	25.5%
T-Mobile	32.1%	19.2%
AT&T Wireless	28.6%	19.6%
ALLTEL	26.9%	18.4%
Nextel**	11.9%	8.5%
Other	26.2%	18.1%
National Average	31.1%	20.9%

** Low sample size

Average InterState Minutes & Messages 3Q04		
Wireless Company	**Average InterState Minutes**	**Average InterState Messages**
Verizon Wireless	180.1	30.0
Sprint PCS	146.4	35.1
T-Mobile	131.5	24.4
ALLTEL	108.0	20.7
Cingular	104.9	22.4
AT&T Wireless	102.0	24.6
Nextel**	21.8	6.0
Other	90.7	20.4
National Average	117.2	24.7

** Low sample size

TNS Telecoms Bill Harvesting Data

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Unclassified Calls

Percent of Unclassified Minutes & Messages to Total 3Q04		
Wireless Company	% Unclassified Minutes	% Unclassified Messages
Nextel**	5.9%	5.5%
Verizon Wireless	3.5%	8.6%
AT&T Wireless	2.8%	4.8%
ALLTEL**	1.6%	4.1%
Cingular**	1.1%	1.6%
T-Mobile**	0.3%	0.5%
Sprint PCS**	0.1%	0.3%
Other	1.2%	2.7%
National Average	1.7%	3.4%

** Low sample size

Average Unclassified Minutes & Messages 3Q04		
Wireless Company	Average Unclassifed Minutes	Average Unclassified Messages
Verizon Wireless	19.8	13.7
AT&T Wireless	14.7	8.8
ALLTEL**	13.0	9.4
Nextel**	12.4	4.5
Cingular**	12.1	5.1
T-Mobile**	3.7	2.1
Sprint PCS**	2.6	1.7
Other	13.2	9.4
National Average	13.7	8.4

** Low sample size

Outgoing calls that could not be classified as InterState or IntraState

TNS Telecoms Bill Harvesting Data

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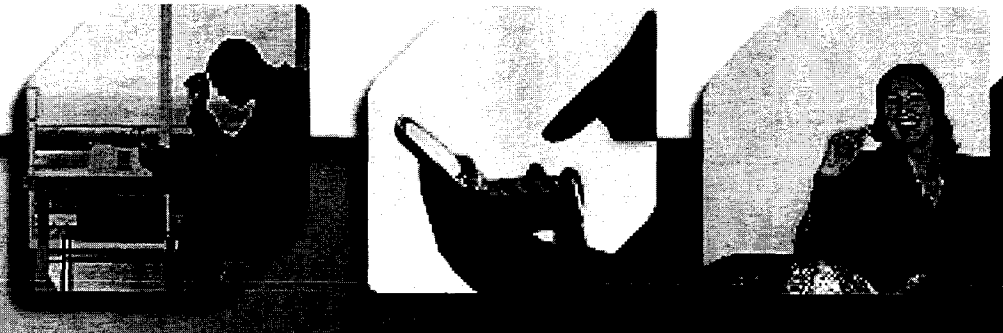
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