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June 14, 2005

**VIA ELECTRONIC FILING**

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

Re: Notice of Ex Parte Presentation in CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, and NSD File No. L-00-72

Dear Ms. Dortch:

On June 13, 2005, F. J. Pollak, President and Chief Executive Officer of TracFone Wireless, Inc., and I met with Michelle M. Carey, Legal Advisor to Chairman Kevin J. Martin.

During this meeting, we reiterated the positions that TracFone has taken in its filed comments and prior ex partes in the Universal Service Contribution Methodology proceeding. Specifically, we discussed the anticipated continued growth in overall interstate telecommunications services, including wireless services, and refuted the notions that interstate revenues will decline and are less stable than connections to the public switched network and/proceeding. We provided Ms. Carey with several documents, copies of which are included with this letter. These documents included a presentation which demonstrates that the current Universal Service contribution base is financially secure, and that elimination of the wireless service "safe harbor" would add revenues to the contribution base, as would inclusion of advanced telecommunications revenues and revenues for Voice over the Internet Protocol services. The presentation also showed that replacement of the current revenues-based contribution methodology with a per working telephone number or per connection charge of $1.00 would increase TracFone's monthly Universal Service contributions by 1233%. Also provided during the meeting and enclosed herewith is a February 23, 2005 TracFone ex parte presentation which contains a study prepared for TracFone by TNS Telecoms entitled "Wireless Provider Bill Analysis 3rd Quarter 2004." That study, based on residential wireless customer billing data, shows that average interstate usage of wireless service is approximately 31.1% --

well above the safe harbor level of 28.5%. The final document provided is a table which shows the number of prepaid wireless subscribers of major wireless providers.

Pursuant to Section 1.1206(b) of the Commission's Rules, this notice is being filed electronically in the above-captioned dockets. If you have any questions regarding this matter, please feel free to contact undersigned counsel for TracFone.

Sincerely,

Mitchell F. Brecher

enclosures

cc: Ms. Michelle M. Carey

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# Attachment 1

TRACFONE®
wireless, inc.

# Universal Service Fund

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# Presentation for
# Federal Communications Commission

***

# June 13, 2005

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# USF FACTS

- The current USF contribution base is financially secure, even without spending reforms.
- Radical changes in the contribution methodology are unnecessary.
- The rapid growth of wireless more than offsets declines in traditional long distance services.
- Elimination of the wireless "safe harbor" loophole would boost the fund and reduce the contribution rate.
- Removing exemptions for advanced telecom and VoIP would strengthen the fund and reduce the rate.

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# USF Contribution Base *

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|
| USF Base (1) | $79.2 | $77.0 | $76.6 | $77.3 | $75.1 | $78.9 | $76.8 |
| USF Base w/o Safe Harbor (2) | | | | $85.1 | $83.6 | $88.2 | $86.8 |
| USF Base w/o Safe Harbor including Advanced Telecom (3) | | | | $95.0 | $95.7 | $101.9 | $102.0 |
| USF Base w/o Safe Harbor including Advanced Telecom & VOIP (4) | | | | $95.3 | $96.7 | $104.5 | $105.9 |

## Total interstate telecommunications revenues are increasing.

**Dollars in billions**



*** Interstate and international telecommunications revenues from end users.**

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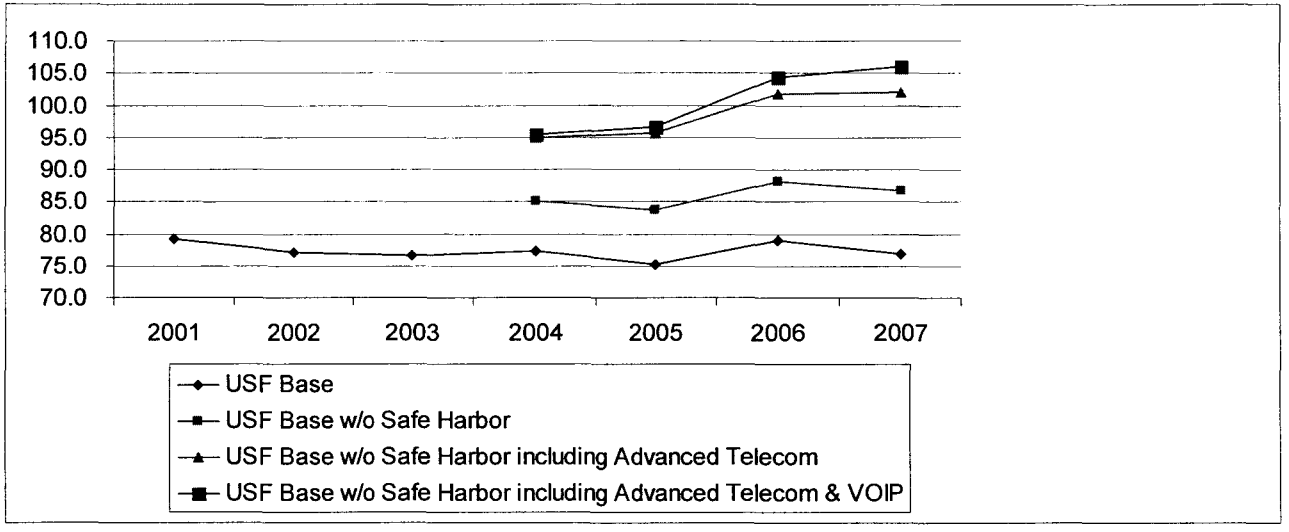
# USF Contribution Base




## There are sufficient interstate revenues to support USF.

**Dollars in billions**



**Source: CBO, *Financing Universal Telephone Service*, March 2005 (Table 1-3)**

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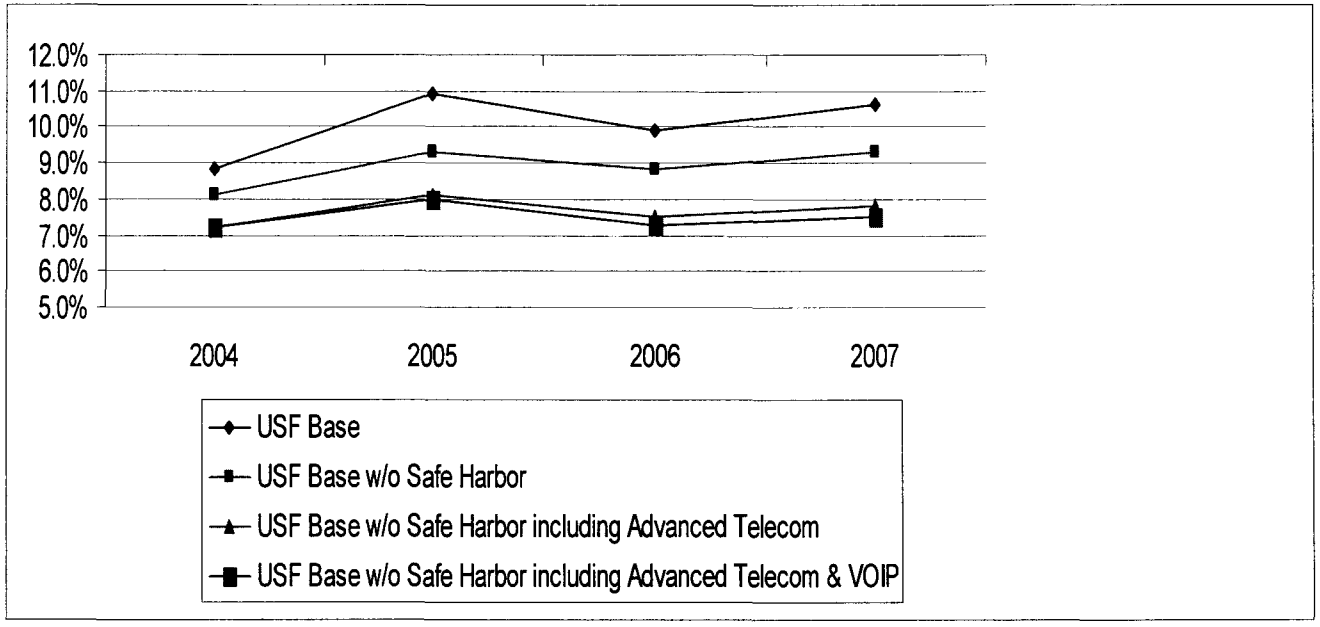
# USF Contribution Rate Needed to Fund USF




## The contribution rate will decline if everyone contributes.

**Funding Requirements: ***

| 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|
| $6.4b | $7.1b | $7.1b | $7.4b |



*** Source: CBO, USAC, FCC Staff Projections**

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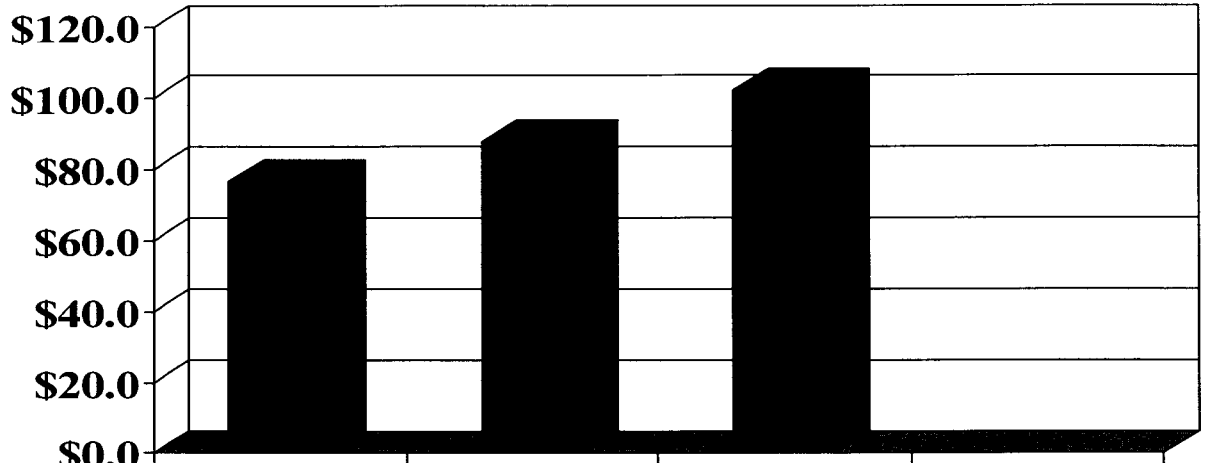
# Wireless Revenue 2002-2004




| | 2002 | 2003 | 2004 | |
|---|---|---|---|---|
| ■ Total Service Revenue in billions | $76.5 | $87.6 | $102.1 | |

**Wireless service revenues increased by more than 33% from 2002 to 2004, which means a growing portion of interstate revenues are coming from wireless. If the FCC eliminated or increased the wireless "safe harbor", which artificially caps interstate revenues at 28.5%, the USF contribution base would grow substantially.**



Source: Cellular Telecommunications & Internet Assn., 2005

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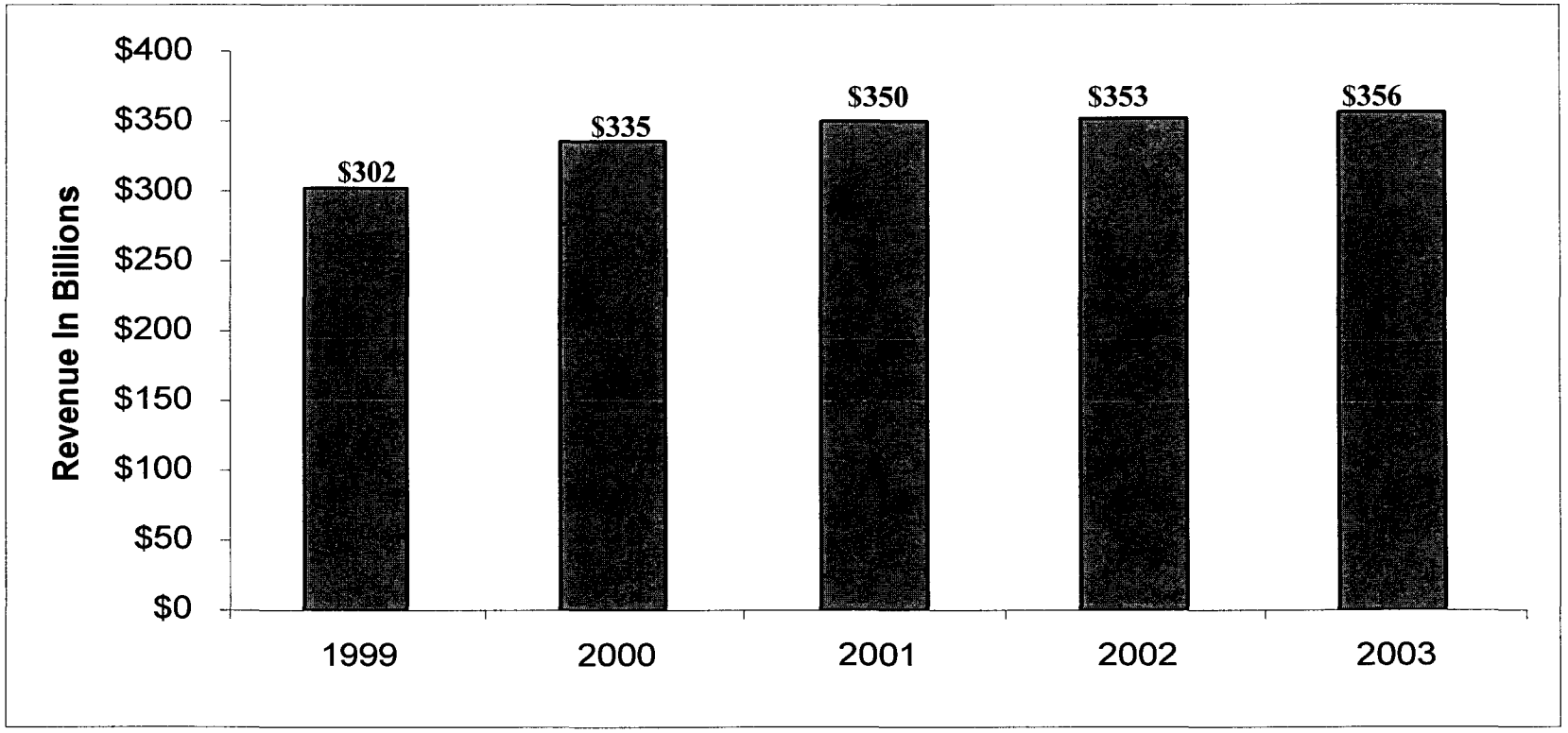
# Total U.S. Telecom Industry Revenues are Increasing




**Source: FCC, *Telecommunications Industry Revenues*, 1999, 2000, 2001, 2002, 2003 (Table 8).**

**Includes total reported carrier revenues from telecommunications, enhanced services, internet, broadband & information services.**

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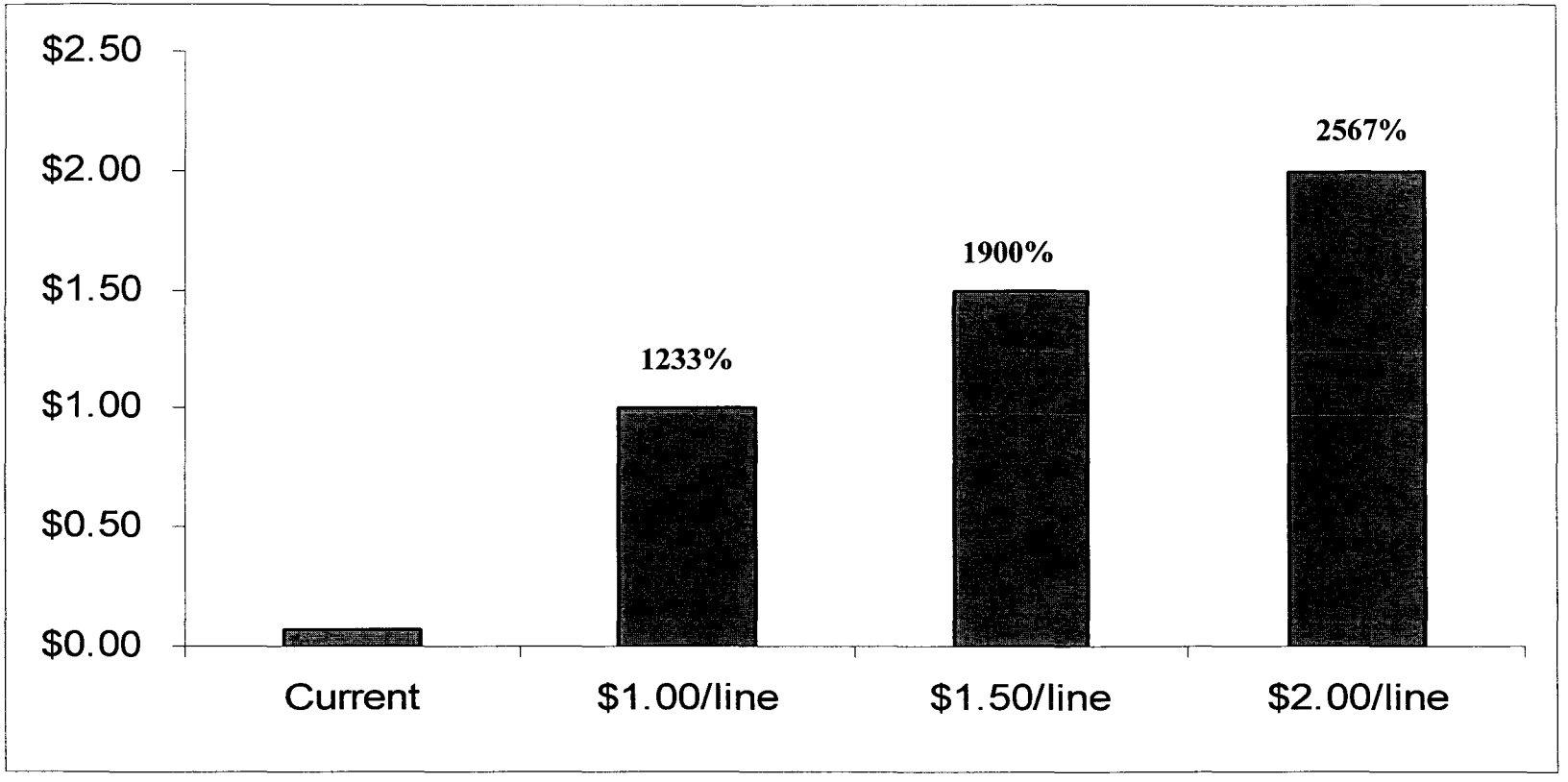
## Average Monthly USF Cost per TRACFONE Subscriber




**If the FCC decides to adopt a flat, numbers-based or connections-based USF tax and abandons the current system, low-volume users like those served by TRACFONE would be hit HARD.**

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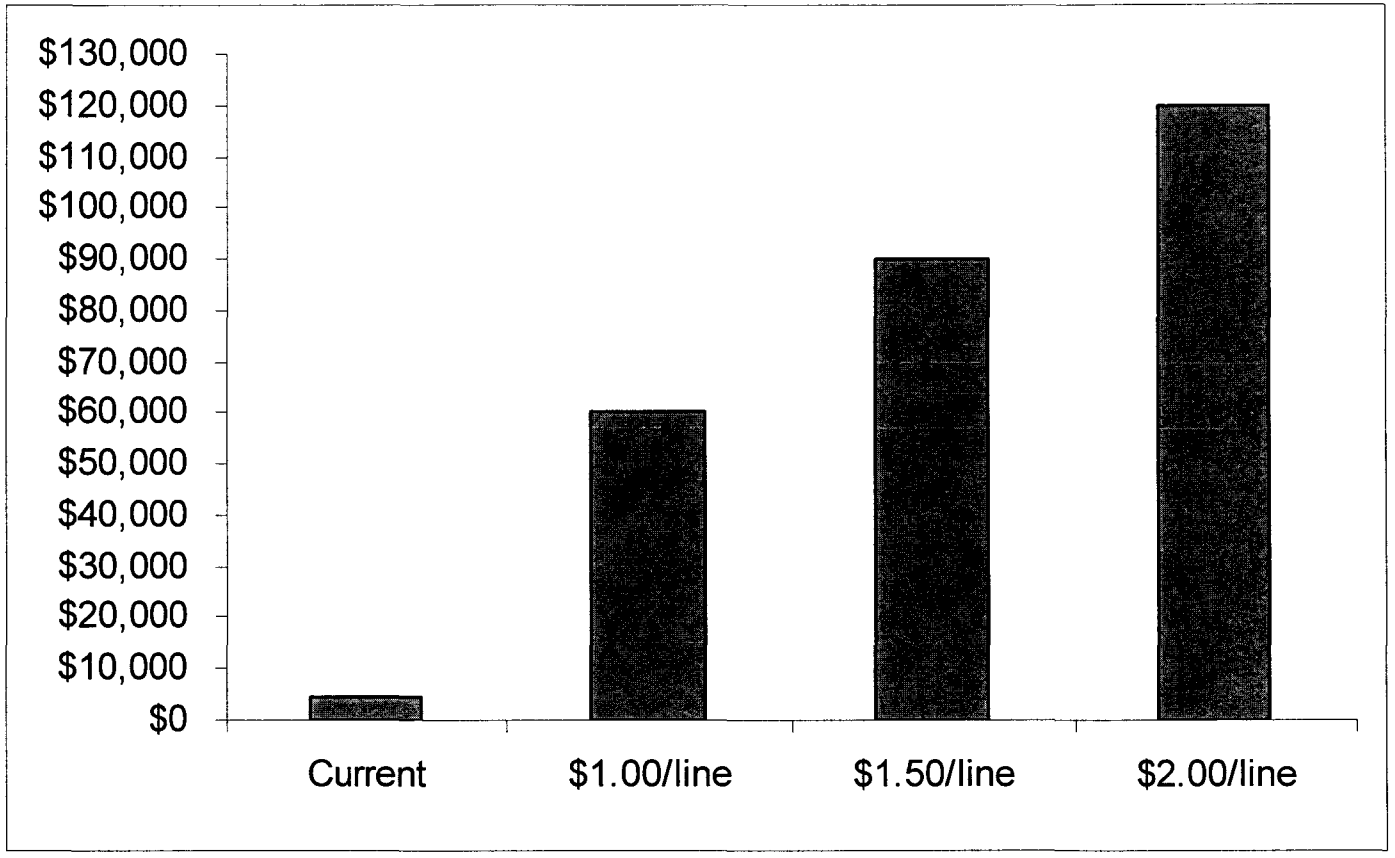
# Annual USF Costs to TRACFONE

## (Based on 5 Million Subscribers $ in 000s)




**A $1 monthly tax would cost TracFone approximately $60 million a year!**

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# CONCLUSION

- A radical change to the USF funding system is not needed and will hurt millions of low-volume, low-income consumers.
- Elimination of the wireless "safe harbor", advanced telecom and VoIP loopholes will preserve USF and lower the contribution rate substantially.
- A flat $1 per number tax would increase the cost to TracFone and low-volume cellular users by over 1000%.
- Keep the current revenue-based system. It is fair, reliable and will support the fund long-term.

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# Footnotes

1. Congressional Budget Office, *Financing Universal Telephone Service*, March 2005.

FCC, Universal Service Administrative Corporation, Rollup of Form 499-Q Filings, First Quarter through Fourth Quarter, 2004.

FCC, Universal Service Administrative Corporation, Rollup of Form 499-Q Filings, First and Second Quarters, 2005.

FCC, *Wireline Competition Bureau Staff Study of Alternative Contribution Methodologies*, February 26, 2003. (Projections for 2006-2007)

2. FCC, *Telecommunications Industry Revenues*, Table 1, March 2005. Increases in the contribution base are based on elimination of the wireless safe harbor and an increase in the interstate portion of wireless usage from 23% to 31.1%. Wireless revenues for 2005-2007 are projections based on past average yearly increases in revenues.

TNS, *Wireless Provider Bill Analysis 3rd Quarter, 2004*, FCC, Notice of Written Ex Parte Presentation, TracFone Wireless Inc., February 23, 2005. TNS data showed that 31.1% of wireless usage is interstate.

3. FCC " Trends in Telephone Service", Advanced Service Lines, Table 2.2, May 2004.

FCC, *Federal Communications Commission Releases Data on High-Speed Internet Access Services*, December 22, 2004.

FCC, *Availability of Advanced Telecommunications Capability in the U.S.*, September 9, 2004.

4. Halpern Capital, " Voice over Internet Protocol (VoIP)", March 8, 2005.

UBS Investment Research, "Telephony and HSD Update for 4Q04", March 10, 2005.

# Attachment 2

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# Wireless Provider Bill Analysis
# 3rd Quarter, 2004

Presented to:

# Table of Contents


- Objective
- Overview
- Analysis Methodology
- Analysis of Average Charge
- Analysis of Call Detail


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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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# For More Information Contact:


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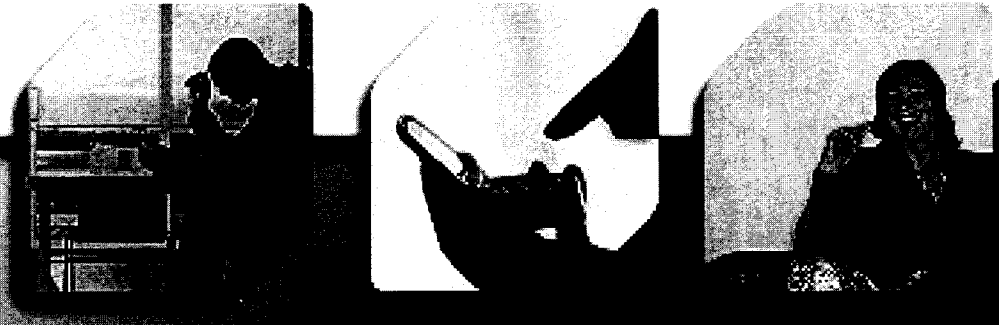
267-287-0111

# Attachment 3

| Prepaid and Hybrid Subscribers | | | | |
|---|---|---|---|---|
| **Number of Prepaid and Hybrid Subscribers** | | | | |
| | 1Q04 | 2Q04 | 3Q04 | 4Q04 |
| Verizon | 1,945,450 | 1,633,938 | 1,687,849 | 1,533,560 |
| Cingular | 1,574,000 | 1,528,000 | 1,540,320 | 4,050,000 |
| AT&T | 1,684,600 | 2,050,000 | 2,402,000 | - |
| Sprint I | 4,073,240 | 4,215,088 | 4,184,796 | 4,197,909 |
| T-Mobile | 2,053,562 | 2,279,739 | 2,396,009 | 2,628,781 |
| Nextel | - | - | - | - |
| ALLTEL | 695,899 | 708,600 | 718,552 | 733,251 |
| U.S. Cellular | 136,410 | 140,000 | 144,216 | 164,790 |
| Western Wireless | - | - | 6,200 | 27,908 |
| Leap | 1,538,000 | 1,547,000 | 1,539,770 | 1,539,770 |
| Qwest | - | - | - | - |
| Dobson | 36,400 | 45,300 | 45,100 | 46,300 |
| Centennial | 16,587 | 22,500 | 19,600 | 17,100 |
| Triton PCS | 0 | 0 | 0 | 0 |
| Rural Cellular | 23,338 | 22,454 | 21,018 | 20,391 |
| Nextel Partners | 0 | 0 | 0 | 0 |
| TracFone o | 3,347,000 | 3,560,000 | 3,800,000 | 4,394,000 |
| Boost | 537,000 | 605,000 | 800,000 | 1,160,000 |
| Virgin Mobile | 1,750,000 | 2,100,000 | 2,500,000 | 3,000,000 |
| Other | 324,000 | 324,000 | 324,000 | 324,000 |
| **Total Number of Prepaid and Hybrid Subs** | **19,734,986** | **20,781,619** | **22,024,430** | **23,837,760** |
| **Total Number of Prepaid Subscriber** | **12,988,184** | **13,563,792** | **14,768,854** | **17,445,300** |
| **Total Number of Hybrid Customers** | **6,746,802** | **7,217,827** | **7,255,575** | **6,392,460** |
| **Total Number of Postpaid Subscribers** | **145,624,577** | **149,250,768** | **153,453,526** | **157,676,687** |
| Percentage of Prepaid and Hybrid Subscribe | 11.9% | 12.2% | 12.6% | 13.1% |
| Percentage of Postpaid Subscribers | 88.1% | 87.8% | 87.4% | 86.9% |

| **Prepaid Subscribers** | | | | |
|---|---|---|---|---|
| **Number of Prepaid Subscribers** | | | | |
| | 1Q04 | 2Q04 | 3Q04 | 4Q04 |
| Verizon | 1,945,450 | 1,633,938 | 1,687,849 | 1,533,560 |
| Cingular | 1,574,000 | 1,528,000 | 1,540,320 | 3,100,000 |
| AT&T | 1,084,600 | 1,200,000 | 1,500,000 | - |
| Sprint I | - | - | - | - |
| T-Mobile | 1,518,000 | 1,674,000 | 1,767,000 | 1,974,000 |
| Nextel | - | - | - | - |
| ALLTEL | 695,899 | 708,600 | 718,552 | 733,251 |
| U.S. Cellular | 136,410 | 120,000 | 106,216 | 108,790 |
| Western Wireless | - | - | 6,200 | 27,908 |
| Leap | - | - | - | - |
| Qwest | - | - | - | - |
| Dobson | 36,400 | 45,300 | 45,100 | 46,300 |
| Centennial | 16,587 | 22,500 | 19,600 | 17,100 |
| Triton PCS | 0 | 0 | 0 | 0 |
| Rural Cellular | 23,338 | 22,454 | 21,018 | 20,391 |
| Nextel Partners | 0 | 0 | 0 | 0 |
| TracFone o | 3,347,000 | 3,560,000 | 3,800,000 | 4,394,000 |
| Boost | 537,000 | 605,000 | 800,000 | 1,160,000 |
| Virgin Mobile | 1,750,000 | 2,100,000 | 2,500,000 | 3,000,000 |
| Other | 324,000 | 324,000 | 324,000 | 324,000 |
| **Total Number of Prepaid Subscribers** | **12,988,184** | **13,543,792** | **14,730,854** | **16,439,300** |

**Hybrid Subscribers**
**Number of Hybrid Subscribers**

| | 1Q04 | 2Q04 | 3Q04 | 4Q04 |
|---|---|---|---|---|
| Verizon | | | | |
| Cingular | - | - | - | 950,000 |
| AT&T | 600,000 | 850,000 | 902,000 | |
| Sprint I | 4,073,240 | 4,215,088 | 4,184,796 | 4,197,909 |
| T-Mobile | 535,662 | 606,739 | 629,009 | 654,781 |
| Nextel | - | - | - | - |
| ALLTEL | | | | |
| U.S. Cellular | - | 20,000 | 38,000 | 56,000 |
| Western Wireless | | | | |
| Leap | 1,538,000 | 1,547,000 | 1,539,770 | 1,539,770 |
| Qwest | | | | |
| Dobson | - | - | - | - |
| Centennial | | | | |
| Triton PCS | - | - | - | - |
| Rural Cellular | | | | |
| Nextel Partners | - | - | - | - |
| **Total Number of Prepaid Subscribers** | 6,746,802 | 7,237,827 | 7,293,575 | 7,398,460 |