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Washington, DC 20005

**Donald C. Brittingham**  
Director – Wireless/Spectrum Policy

December 15, 2005

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

**Re: *Ex Parte* Presentation**  
**WT Docket No. 03-103; “Air-Ground Telecommunications Services”**  
**WT Docket No. 05-42; “Air-Ground Auction Rules”**

Dear Ms. Dortch:

On December 14, 2005, representatives of Verizon Airfone (“Airfone”) met with Cathy Seidel, acting chief of the Wireless Telecommunications Bureau, and members of her staff to discuss the auction of Air-Ground licenses. A list of the participants in the meeting is attached.

In the meeting, Airfone stressed the importance of conducting a timely auction of licenses in the 800 MHz Air-Ground service. There is significant demand for broadband services onboard commercial and general aviation aircraft, and prompt action by the FCC will enable consumers to benefit from these new services.

Airfone has considered the tasks that must be undertaken to plan and implement an effective auction and believes that it is possible to conduct an auction by the end of April 2006. Airfone provided the staff with a proposed timeline for the Air-Ground auction (Attachment A) that compares the dates proposed for each task with timeframes used in past FCC auctions. Airfone also noted that the rules recently reaffirmed by the Commission were adopted more than a year ago, so prospective bidders have had ample time to prepare for an auction early in 2006.

Ms. Marlene Dortch  
WTB Meeting  
Dec. 15, 2005  
Page 2 of 2

Airfone also discussed various auction parameters that the FCC should consider in planning its upcoming auction. Specifically, Airfone discussed a methodology for determining upfront payments, minimum opening bids, and reserve prices as compared to recent PCS auctions. See Attachment B.

Airfone noted that its ability to effectively meet its obligations under the Commission's *Report and Order* depends on timely action from the FCC. As Airfone has previously explained, it cannot reconfigure its current system to use 1 MHz of spectrum, or transition its business to broadband (assuming it wins a license), until the auction is concluded. Importantly, seven months have already expired on Airfone's current license. Even if the auction is conducted in April 2006, Airfone will have less than four years left on its five year license by the time a new broadband license is awarded. A prompt auction is imperative for Airfone to meet its obligations under the rules.

Finally, Airfone noted that the introduction of broadband Air-Ground services throughout the United States cannot begin until new cross-border agreements are established with Canada and Mexico. The Bureau's role in this process is extremely important, and we urged the staff to continue to work diligently on getting those agreements in place as quickly as possible. Importantly, since the 800 MHz band plan will be determined by the auction, a prompt auction is also necessary in order to establish international agreements in a timely manner.

Pursuant to Section 1.1206(b)(2) of the Commission's Rules, an electronic copy of this letter is being filed for inclusion in the above-referenced docket.

Sincerely,

/s/ Donald C. Brittingham  
Donald C. Brittingham

Attachments

cc: Cathy Seidel  
Jim Schlichting  
Zenji Nakazawa

Margaret Wiener  
Gary Michaels

**Verizon Airfone Ex Parte Meeting of December 14, 2005  
WT Docket No. 03-103 & WT Docket No. 05-42**

**List of Attendees**

Cathy Seidel, Acting Chief, Wireless Telecommunications Bureau (WTB)  
Jim Schlichting, WTB  
Zenji Nakazawa, WTB  
Margaret Wiener, Auctions Division, WTB  
Gary Michaels, Auctions Division, WTB

Don Brittingham, Director-Wireless/Spectrum Policy, Verizon Communications  
Leslie Owsley, Associate General Counsel, Verizon Communications  
Robert Combs, Director, Verizon Airfone  
Mike Senkowski, Counsel to Airfone, Wiley Rein & Fielding  
Eric DeSilva, Counsel to Airfone, Wiley Rein & Fielding

## Attachment A

### Summary of Timelines for Recent FCC Auctions

Proposed timeline for ATG auction is consistent with past FCC auctions.

Auction Description	Auction Procedures Notice	Comments Due	Reply Comments Due	Final Auction Notice	Pre-Auction Seminar	Form 175s Due	Application Status Notice	Upfront Payments	Final Bidder Notice	Mock Auction	Auction Begins	Total
<i>Air-Ground (Proposed)</i>	12/30/2005	14 days 1/13/2005	7 days 1/20/2006	10 days 1/30/2006	29 days 2/28/2006	8 days 3/8/2006	13 days 3/21/2006	9 days 3/30/2006	7 days 4/6/2006	8 days 4/14/2006	4 days 4/18/2006	109 days
Auction #63 (MVDDS)	6/9/2005	32 days 7/11/2005	4 days 7/15/2005	26 days 8/10/2005	49 days 9/28/2005	9 days 10/7/2005	18 days 10/25/2005	13 days 11/7/2005	15 days 11/22/2005	13 days 12/5/2005	2 days 12/7/2005	181 days
Auction #61 (AMTS)	2/2/2005	16 days 2/18/2005	18 days 3/8/2005	44 days 4/21/2005	34 days 5/25/2005	15 days 6/9/2005	19 days 6/28/2005	10 days 7/8/2005	14 days 7/22/2005	10 days 8/1/2005	2 days 8/3/2005	182 days
Auction #60 (Lower 700)	1/26/2005	16 days 2/11/2005	7 days 2/18/2005	32 days 3/22/2005	63 days 5/24/2005	10 days 6/3/2005	19 days 6/22/2005	8 days 6/30/2005	13 days 7/13/2005	5 days 7/18/2005	2 days 7/20/2005	175 days
Auction #59 (MAS)	11/15/2004	17 days 12/2/2004	7 days 12/9/2004	12 days 12/21/2004	64 days 2/23/2005	9 days 3/4/2005	17 days 3/21/2005	11 days 4/1/2005	12 days 4/13/2005	8 days 4/21/2005	5 days 4/26/2005	162 days
Auction #57 (AMTS)	4/5/2004	18 days 4/23/2004	7 days 4/30/2004	26 days 5/26/2004	36 days 7/1/2004	18 days 7/19/2004	16 days 8/4/2004	16 days 8/20/2004	7 days 8/27/2004	14 days 9/10/2004	5 days 9/15/2004	163 days
Auction #56 (24 GHz)	1/30/2004	21 days 2/20/2004	7 days 2/27/2004	14 days 3/12/2004	74 days 5/25/2004	10 days 6/4/2004	14 days 6/18/2004	11 days 6/29/2004	15 days 7/14/2004	9 days 7/23/2004	5 days 7/28/2004	180 days
Auction #55 (900 MHz SMR)	9/17/2003	14 days 10/1/2003	7 days 10/8/2003	9 days 10/17/2003	47 days 12/3/2003	12 days 12/15/2003	23 days 1/7/2004	7 days 1/14/2004	13 days 1/27/2004	10 days 2/6/2004	5 days 2/11/2004	147 days
Auction #54 (Broadcast)	4/11/2003	14 days 4/25/2003	7 days 5/2/2003	10 days 5/12/2003	31 days 6/12/2003	8 days 6/20/2003	7 days 6/27/2003	6 days 7/3/2003	7 days 7/10/2003	8 days 7/18/2003	5 days 7/23/2003	85 days
Auction #51 (N-PCS)	4/3/2003	14 days 4/17/2003	7 days 4/24/2003	55 days 6/18/2003	43 days 7/31/2003	8 days 8/8/2003	13 days 8/21/2003	5 days 8/26/2003	13 days 9/8/2003	9 days 9/17/2003	7 days 9/24/2003	174 days
Auction #49 (Lower 700)	1/30/2003	13 days 2/12/2003	7 days 2/19/2003	13 days 3/4/2003	29 days 4/2/2003	9 days 4/11/2003	13 days 4/24/2003	8 days 5/2/2003	11 days 5/13/2003	9 days 5/22/2003	6 days 5/28/2003	118 days
Auction #43 (Multi-Radio)	9/7/2001	14 days 9/21/2001	7 days 9/28/2001	12 days 10/10/2001	28 days 11/7/2001	9 days 11/16/2001	14 days 11/30/2001	7 days 12/7/2001	10 days 12/17/2001	21 days 1/7/2002	3 days 1/10/2002	125 days
Auction #41 (N-PCS)	6/12/2001	13 days 6/25/2001	7 days 7/2/2001	7 days 7/9/2001	37 days 8/15/2001	9 days 8/24/2001	11 days 9/4/2001	9 days 9/13/2001	7 days 9/20/2001	8 days 9/28/2001	5 days 10/3/2001	113 days

**Determination of Upfront Payments,  
Minimum Opening Bids, and Reserve Prices for  
800 MHz Air-to-Ground (ATG) Auction**

**PCS Model**

- For recent auctions, the FCC has used an upfront payment of \$0.05 per MHz-Pop and a minimum opening bid/reserve price of \$0.15 to \$0.50 per MHz-Pop, depending on market size.
- PCS licenses allow licensees to deploy service anywhere within the defined geographic area, and thus, afford access to a potential market equal to the population of the area. (For example, a nationwide license would have a potential market of ~ 290 million).

**ATG Model**

- While ATG may support the same kinds of applications as PCS, the ATG business model is very different than that for PCS. It is, for all intent and purposes, a niche service.
- ATG services will only be available to passengers that fly aboard commercial or general aviation aircraft. Thus, the potential market is substantially lower than that for PCS.
  - In 2004, there were 9,886,851 commercial flights in the U.S., or 27,087 flights per day. Taking into account an average load of 64 passengers per flight, there were 1,733,568 passengers in the air on any given day. (Reference: U.S. Dept. of Transportation, Bureau of Transportation Statistics.)
  - Consequently, the potential market for ATG is in the range of 1.7 million users and not 290 million as would be the case for a nationwide PCS license.
- If you apply the PCS auction parameters to the ATG potential market, you would get the following results:

<u>Upfront payment:</u> <sup>1</sup>	\$85,000 for 1 MHz license
	\$255,000 for 3 MHz license

<sup>1</sup> Assumes \$0.05 / MHz-Pop, where “Pop” is equal to potential market of 1.7 million.

<u>Min. Opening Bid/Reserve Price:</u>	\$255,000 for 1 MHz license <sup>2</sup>
	\$765,000 for 3 MHz license <sup>2</sup>

<sup>2</sup> Assumes \$0.15 / MHz-Pop, where “Pop” is equal to potential market of 1.7 million.

	\$850,000 for 1 MHz license <sup>3</sup>
	\$2,550,000 for 3 MHz license <sup>3</sup>

<sup>3</sup> Assumes \$0.50 / MHz-Pop, where “Pop” is equal to potential market of 1.7 million.

- Importantly, the ATG services available on commercial flights will be determined by the airline carriers, and may be limited to certain portions of the flight, certain times of day, certain altitudes, etc. In addition, certain services (such as voice) may be more limited than other services (such as data). The potential for any limitations to be placed on ATG services by the airlines would necessarily further limit the value of ATG spectrum relative to PCS spectrum.