

LAWLER, METZGER, MILKMAN & KEENEY, LLC

2001 K STREET, NW
SUITE 802
WASHINGTON, D.C. 20006

A. RENEE CALLAHAN
PHONE (202) 777-7723

PHONE (202) 777-7700
FACSIMILE (202) 777-7763

May 17, 2006

Via Electronic Filing

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Re: *Ex Parte* Notice, *Federal-State Joint Board
on Universal Service*, CC Dkt. No. 96-45

Dear Ms. Dortch:

On May 16, 2006, Joslyn Read, Assistant Vice President, Regulatory and International Affairs, Hughes Network Systems (“Hughes”), and Ruth Milkman and the undersigned of Lawler, Metzger, Milkman & Keeney, LLC, counsel to Hughes, met with Amy Bender and Tom Buckley of the Wireline Competition Bureau regarding the above-referenced proceeding. During that meeting, Hughes described its satellite-based broadband services, as set forth in the attached presentation.¹ Hughes explained that these services are comparable to the residential broadband services being offered by other providers, and urged the FCC to ensure that any forthcoming universal service fund (“USF”) contribution methodology be technology neutral. Specifically, Hughes urged the Commission to exempt all residential-grade broadband services, regardless of the underlying technology (*e.g.*, DSL, cable modem, satellite), from universal service contribution obligations – a step that would clearly facilitate user adoption of residential broadband services throughout the United States. If the Commission were to nonetheless decide to assess USF fees on residential-grade broadband services, these should be assessed at the lowest number of units possible so as to not discourage residential broadband subscription. At a minimum in this case, the Commission should ensure that satellite-based broadband services are treated the same as DSL and other residential broadband services.

¹ See Attachment 1 (HughesNET presentation).

Hughes also discussed the potential application of any forthcoming contribution methodology to its business-grade broadband services. As detailed in the attached chart, Hughes' business-grade services offer asymmetric upload and download speeds ranging from 300 to 500 Kilobits per second (Kbps) on the upload link and from 1.5 to 2 Megabits per second (Mbps) on the download link.² These services are used primarily by businesses to process credit card verifications and other "bursty" transactions that use very thin data streams (in many cases, only a few kilobits of capacity per transaction). Hughes pointed out that, under one set of capacity-based tiers proposed in the FCC's *Second Further NPRM*, dedicated connections with a capacity of 726 kilobits per second to 5 megabits per second, such as the asymmetric, business-grade broadband services offered by Hughes, would be assessed a contribution rate of 16 units,³ despite the fact that the satellite-based services are priced at substantially lower levels than the monthly price of a T-1 provided by a local exchange carrier (making the impact of a 16 unit assessment substantially and disproportionately higher on the asymmetric satellite-based services).

Hughes discussed three different possible approaches for assessing its business-grade broadband services. Under the first two approaches, an "asymmetric sub-tier," which would apply only to those services with asymmetric upload and download speeds, would be included under any tiered, capacity-based contribution mechanism.

Under Approach 1, the USF assessment would be based on the combined upload and download speeds of the asymmetric service, as follows:

Approach 1 –	<u>Asymmetric Sub-Tier (based on upload + download speeds)</u>	<u>Rate</u>
	Sub-tier 1-A – ≤ 3 Mbps	1 unit
	Sub-tier 1-B – > 3 Mbps but ≤ 5 Mbps	2 units

Under Approach 2, the assessment would be based solely on the download speeds of the asymmetric service, as follows:

Approach 2 –	<u>Asymmetric Sub-Tier (based on download speed only)</u>	<u>Rate</u>
	Sub-tier 1-A – ≤ 1.5 Mbps	1 unit
	Sub-tier 1-B – > 1.5 Mbps but ≤ 3 Mbps	2 units

Under Approach 3, satellite-based, business-grade broadband services would be assessed a fee of 1 unit per end-user satellite terminal, or VSAT.

² See Attachment 2 (chart listing satellite-based broadband service offerings by provider, as well "up to" upload and download speeds for each offering).

³ *Federal-State Joint Board on Universal Service*, CC Dkt. No. 96-45, Report and Order and Second Further Notice of Proposed Rulemaking, 17 FCC Rcd 24952, ¶¶ 98, 81 (2002) ("*Second Further NPRM*").

Marlene H. Dortch
May 17, 2006
Page 3 of 3

Approach 3 – Per Satellite Terminal (e.g. VSAT) Fee
Assess a fee of 1 unit per VSAT

Pursuant to the Commission's rules, this letter is being submitted for inclusion in the public record of the above-referenced proceeding.

Sincerely,

/s/ A. Renee Callahan
A. Renee Callahan

cc: Amy Bender
Tom Buckley

HUGHES[®]
NETWORK SYSTEMS

HughesNET[™]

May 2006

HNS Business Overview

Primary Businesses: Broadband Services and Technology

North America Enterprise	Consumer HughesNet™	International Enterprise
<ul style="list-style-type: none"> ■ Strategic Network Partner for large corporations <ul style="list-style-type: none"> – Contracts with more than 200 customers ■ Broadband service provider for SME and SOHO sectors ■ Over 200,000 terminals in service 	<ul style="list-style-type: none"> ■ The world's largest broadband consumer Internet access service via satellite ■ Approximately 275,000 subscribers ■ Residential 	<ul style="list-style-type: none"> ■ HNS operated services in Europe, Brazil, India, and China ■ Product sales to independent service providers in over 75 countries <ul style="list-style-type: none"> – Blue-chip customers – 140,000 terminals shipped worldwide

Ancillary Businesses

Mobile Satellite	Carrier Networks
<ul style="list-style-type: none"> ■ Network solutions and end-user terminal provider to major operators <ul style="list-style-type: none"> – Thuraya – Inmarsat – ICO 	<ul style="list-style-type: none"> ■ State-of-the-art microwave radio network systems provider (LMDS)

Automotive



- BMW
- Daimler Chrysler
- Fiat / Ford
- General Motors . Opel
- Toyota / Lexus
- Volvo
- VW

Lodging



- Best Western
- Candant
- Choice Hotels

Financial



- A.G. Edwards
- American General Finance
- Edward Jones
- Salomon Smith Barney
- VISA
- HSBC
- Itau Bank

Oil and Gas



- BP-Amoco
- ChevronTexaco
- Conoco Phillips
- ExxonMobil
- Hess
- Pemex
- Shell

Retail



- A&P
- Albertson's / USSC
- ASDA
- AutoZone
- Best Buy
- Big 5
- Blockbuster Video
- CBDTO
- Dollar Tree Stores
- Footlocker
- Jiffy Lube
- Kmart
- Lowe's
- Rite Aid
- Sherwin Williams
- Smart n Final
- Tesco
- TJX
- Walgreens
- Wal-Mart

Government



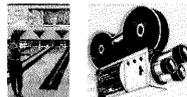
- Army Air Force Exchange Services
- California State Government
- Florida Emergency Management
- GSA
- Pennsylvania Emergency Management
- Texas Department of Public Safety
- UN CTBTO
- International Civil Aviation Organization
- NIC India

Restaurants



- Dominos
- Dunkin Donuts
- Jack in the Box
- McDonald's
- Pizza Hut
- Taco Bell
- Wendy's

Entertainment and sports



- AMF Bowling
- Brunswick Bowling
- Gtech
- Loews Cineplex
- National Cinema Network
- Playwin
- Regal CineMedia
- StarTV

Integrators/Service providers



- Alliance Data Systems
- Concord
- Data Network Services
- EDS
- Telesat
- Telstra-Australia
- Korea Telecom
- Telefonica - Spain
- Telkom SA - (South Africa)
- Telmex - Mexico
- Telkom Malaysia

HNS is a leading provider to these end markets serving 200 large corporations many of which are Fortune 1000 companies

127°W 123°W 117°W 113°W 99°W 95°W 93°W 91°W 89°W 87°W 83°W

Horizons 1 G10R SM5 G4R G3C IA-6 G11 IA-8 AMC-3 AMC-9



SATMEX 6
May/June launch

Galaxy 16
May/June launch

Satellite Broadband Company / Service Offering	'Up to' Upload Speed	'Up to' Download Speed
HughesNet Home Service ¹	128 Kbps	700 Kbps
HughesNet Professional ¹	200 Kbps	1.0 Mbps
HughesNet Business for Small Office ²	300 Kbps	1.5 Mbps
HughesNet Business Internet ²	500 Kbps	2 Mbps
StarBand Residential ³	100 Kbps	500 Kpbs
StarBand Telecommuter ³	128 Kbps	750 Kbps
StarBand Small Office ³	256 Kbps	1 Mbps
WildBlue for Home Value Pak ⁴	128 Kbps	512 Kbps
WildBlue for Home Select Pak ⁴	200 Kbps	1.0 Mbps
WildBlue for Home Pro Pak ⁴	256 Kbps	1.5 Mbps
WildBlue for Office Select Pak ⁵	200 Kbps	1.0 Mbps
WildBlue for Office Pro Pak ⁵	256 Kbps	1.5 Mbps

¹ www.hughesnet.com

² www.hughesnet.com

³ <http://www.starband.com/services.asp>

⁴ <http://www.wildblue.com/forYourHome/index.jsp>

⁵ <http://www.wildblue.com/forYourOffice/index.jsp>