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PARAMOUNT WIRELESS LIMITED PARTNERSHIP

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August 19, 1994

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. H. Frank Wright
Frequency Liaison Branch
Office of Engineering and Technology
Federal Communications Commission
Washington, DC 20554

Re: Station KM2XEN
File No. 3072-EX-R-94

Dear Mr. Wright:

Pursuant to Condition 3 of Station KM2XEN's experimental license, which was granted on August 10, 1992, and renewed on July 1, 1994, this constitutes the eighth of our quarterly reports regarding the progress of the authorized experimental PCS operations. It is our desire to submit our eighth quarterly report early (due September 29, 1994) and we will submit the ninth quarterly report prior to the due date of December 28, 1994.

Paramount Wireless Limited Partnership (PWLP) has been conducting experiments and performing analytical studies for approximately two years. We have decided to provide data to the FCC in this quarterly report that we believe to be unique and very significant.

When we began our PCS experiments, we were focused on what now appears to be a "narrow" definition of PCS; new 2 GHz spectrum to provide "wireless cellular look-alike" telephony type services with spectrum to be awarded in an upcoming "PCS Auction". During the last two years, our experiments and studies have significantly "broadened" our vision pertinent to PCS. We desire to share our current visions with the FCC. Our "broadened" vision includes the following topics with brief explanations:

1. Competition In The Local Exchange

It is our opinion as a result of testing and numerous studies that the value of the 2 GHz spectrum to be auctioned (broadband PCS) is more related to competition in the local exchange than provision of a cellular mobile "look alike" service. This opinion, if correct, produces drastic consequences in the development of our auction business plans.

2. Telephone Number Portability

Competition in the local exchange will require at some point telephone number portability (or some other addressing scheme) to enable success in emerging PCS businesses. This issue, to the best of our knowledge, has not been totally addressed.

3. Interconnection Agreements

A PCS system constructed as a "stand-alone" system will probably interconnect to other networks, similar to existing cellular networks. If a PCS system is integrated within existing systems associated with the "unbundling" of the local exchange, many unanswered issues surround future interconnection agreements (i.e. value of the telephone numbers or addresses and the cost and associated value of the administration and accessing of this data).

4. Universal Service Fund

Related to Item 3 above, if the PCS provider provides local loop bypass, will the PCS provider qualify for Universal Service Fund financial support? Is so, how much and when?

5. "Unbundling" of the Local Exchange

Before our latest business plans can be finalized, we need "official" unbundled costs of:

- a. Telco twisted pair
- b. Bellcore "TR303" open switching interface
- c. SS7 query/response charges pertinent to updating Radio Port Control Unit (RPCU) service areas
- d. "Local" T-1 facilities
- e. Etc.

6. Personal Service Profile Data

It is envisioned that each PCS customer will have a customized service profile. In order to timely and accurately complete an incoming PCS call, access to this master data base is essential. In our opinion, it would be unstable for a PCS provider to search multiple data bases for basic master customer profile and complete an incoming call within a reasonable period of time. The costs and fundamental responsibility for provision of this service, in our opinion, should reside with the local LEC ("carrier of last resort"). Proposed charges for these services can not be quantified at present.

7. Low Mobility

Our models suggest that the value of the spectrum is directly related to whether PCS bidders intend to provide low mobility applications.

8. High Mobility

If a PCS bidder is successful at the spectrum auction, in addition to low mobility service, high mobility systems can be overlaid in a given geographic region. It is our opinion that a "seamless" service can be provided to a customer more economically by interconnecting the existing

800 MHz cellular systems* to low mobility 2 GHz systems via an "intelligent network concept" arrangement.

* Optimized for "high mobility" from a technical standpoint and soon to be "digitized".

9. Competitive Local Loop Concepts - Fixed Access

It must be pointed out that ultimately the "low cost" provider of telephone services may be a "wireless" PCS system operator. This may have a profound effect in auction strategies and associated prices if above uncertainties are addressed.

10. Implementation of New Technologies Pertinent to Communication Will be Driven by Market Forces

See attached drawings entitled:

Drawing No. 5 - One Example of New Customer Service - "PCS" inexpensive advanced cordless "intelligent" phone - ubiquitous coverage over time - single phone number

Drawing No. 6 - Switch Broadband Evolution - Competitive (Market Driven) Environment

If a competitive environment exists in the local exchange in the near future, the framework will exist to enable new technologies (including broadband services) to be implemented by market forces rather than monopoly dictate. We understand that this is the direction of the Executive Branch of Government's NII agenda.

11. Auction Revenues

Our studies depict drastic differences in broadband PCS auction revenues pertinent to our latest assumptions. Assuming quantification of above uncertainties, we expect the pending broadband PCS auction to raise in excess of \$100B.

12. Designated Entities

It is our opinion that without a designated block of spectrum, no small business, etc., will be successful at the spectrum auction. The ability of the large companies to "one-up" the smaller bidders is extremely substantial.

13. Business Plans and System Models

We have developed numerous models pertinent to the provision of PCS services which directly relate to "spectrum value". These models focus on the costs of building and operating a PCS system in any given area which relates to the value (and/or bid price) of the spectrum in that area. It is our opinion that a formal "unbundling" of the LEC industry (including "unbundled tariffs") is required to enable refinement of our models.

14. Local Exchange Carrier Industry Advantage

At this point in time, it is clear to us that, absent unbundled tariffs which identify the costs of network interconnection elements, the only companies able to develop accurate models for calculating the value of the broadband PCS spectrum are the large Local Exchange Carriers. They are the only parties with accurate and complete information pertinent to their "costs" (incremental and/or fully allocated). This situation, in our opinion, is so serious that it will possibly preclude our participation at the spectrum auction.

15. Emergency Services

It is clear that the small radius radio port systems will enable location capability to be provided (to within an approximately 1000 foot location) to a subscriber in serious distress.

16. Common Air Interfaces

If the goal of PCS implementation is to provide services approximately equal in quality and price to existing wireline services (including enhanced "cordless" capabilities and mobility, portable service profiles and universal telephone number capability), the Bellcore WACS model is suitable. The air interface proposed by Bellcore is based on 32 Kbit ADPCM and is suitable for quality voice and modem data use existing today. This air interface will perform well in a voice recognition environment (in accordance with our "in house" testing). Further compression of the voice, while conserving spectrum, will not enable analog model data systems in use today (relatively high speed modems) to function without significant error. In addition, in the past when system overload occurred (user traffic congestion), communications systems delivered fast busy signals to users in queue without affecting customers enjoying service. To our knowledge, CDMA does not enjoy this luxury. When a CDMA system is in an overload situation, all customers with connections in progress may be affected. This is an important philosophical concept which should be considered. It is our opinion that a government role pertinent to common air interfaces may be appropriate.

In summary, in our opinion, a "level playing field" does not and probably will not exist pertinent to the upcoming broadband PCS auction, due to the lack of information on the unbundled costs of interconnection, and other uncertainties. While larger businesses with existing revenue streams may be able to absorb the costs of such uncertainties, small start-ups such as Paramount Wireless have smaller margins, and face difficulty in attracting capital in this environment.

Mr. H. Frank Wright
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Any technical questions should be addressed to:

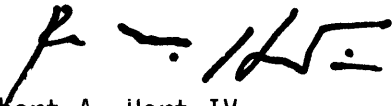
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Any other questions concerning this report should be addressed to:

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Yours very truly,

Paramount Wireless Limited Partnership

A handwritten signature in black ink, appearing to read 'R. A. Hart IV' with a stylized flourish at the end.

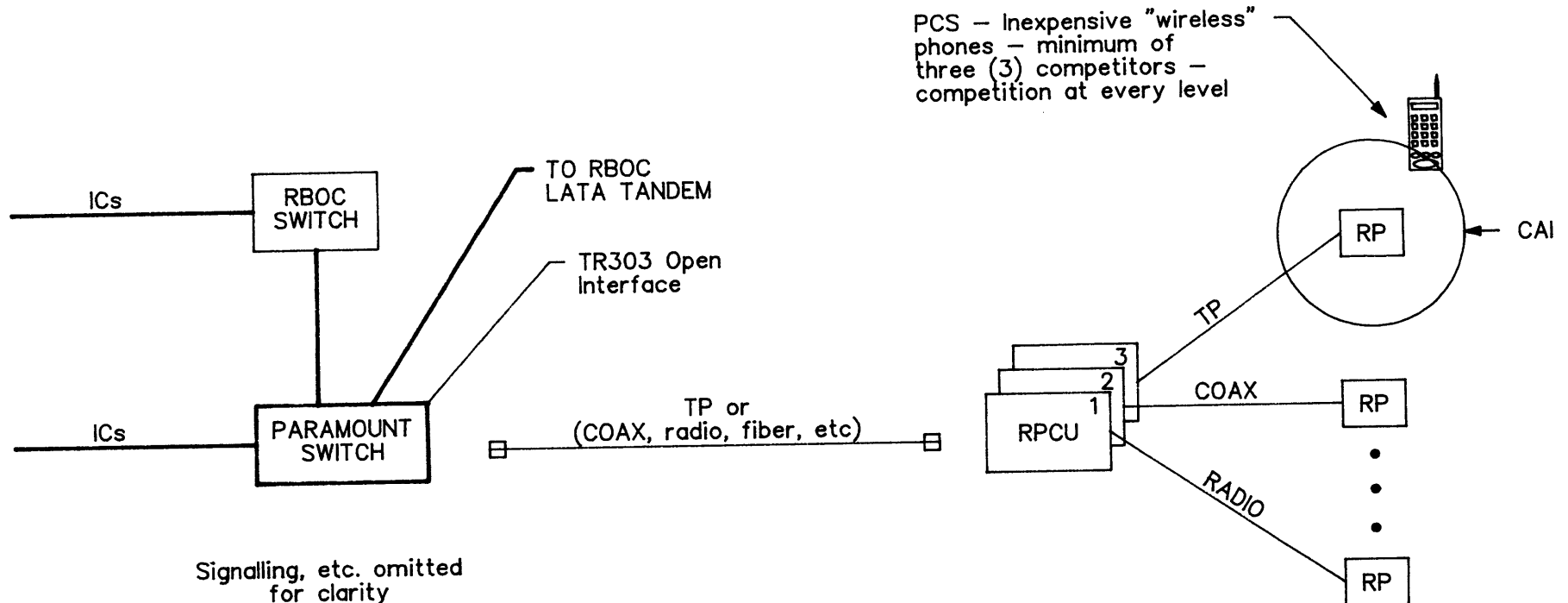
Robert A. Hart IV,
Managing Partner

RAH:AE
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PARAMOUNT WIRELESS COMMUNICATIONS OF LOUISIANA CORPORATION
Baton Rouge, Louisiana

ONE EXAMPLE OF NEW CUSTOMER SERVICE —

"PCS" inexpensive advanced cordless "intelligent" phone —
ubiquitous coverage over time — single phone number



ACRONYMS:

CAI	Common Air Interface
IC	Interstate Carrier
PCS	Personal Communications Services
RBOC	Regional Bell Operating Company
RP	Radio Port
RPCU	Radio Port Control Unit
TP	Twisted Pair
—	Trunk Groups

PARAMOUNT WIRELESS COMMUNICATIONS OF LOUISIANA CORPORATION
Baton Rouge, Louisiana

SWITCH BROADBAND EVOLUTION —
Competitive (Market Driven) Environment

INTERSTATE
CARRIERS
(ICs)

NEXT
GENERATION
SWITCHES

TRANSPORT
OPTIONS

CUSTOMER
Service Options
Advertising Revenues

(Gracefull evolution,
open interfaces for
multi-vendor options)

From switches
to customer

Fixed/Mobile
Narrowband/Broadband

HARDWARE

Various transmission
media

Service profile,
Interconnection Intelligence,
etc

SOFTWARE

COMPETITIVE
ARENA #1
EXISTING

COMPETITIVE
ARENA #2

COMPETITIVE
ARENA #3

COMPETITIVE
ARENA #4
EXISTING

← TRADITIONAL REGULATED LEC →