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January 3, 2003

VIA MESSENGER

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

Re: *Ex Parte* Presentation
IB Docket No. 01-185

Dear Ms. Dortch:

The Official Creditors' Committee ("Creditors") of Globalstar, L.P. ("Globalstar") is submitting this letter to the Federal Communications Commission ("Commission") to reiterate its position regarding the Commission's adoption of gating requirements in the above-referenced docket. We understand that the Commission currently is considering what gating requirements should be imposed on Mobile-Satellite Service ("MSS") providers to ensure that their operation of ancillary terrestrial component ("ATC") platforms remain ancillary to their satellite constellations and to ensure that MSS providers deploy bona fide and fully functional satellite constellations.

Commission Grant of ATC Authority

The Creditors continue to believe that the substantial public interest benefits that can be provided by MSS systems remain largely untapped by the American public. Commission grant of ATC authority to MSS licensees can rectify the current underutilization of this important national resource and preserve the availability of MSS in the future. The Creditors believe that there are numerous potential MSS subscribers, including rural consumers and public safety personnel, that are willing to pay MSS's higher costs to obtain a truly ubiquitous mobile service. Without ATC authority, however, no MSS provider can offer a ubiquitous service. By granting ATC authority to MSS providers and thereby enabling the MSS providers to overcome their urban and indoor reception problems, the Commission can enable MSS providers to increase their subscribership, which will thereby enable decreased handset and per-minute rates due to volume pricing. This will initiate a self-reinforcing spiral of increasing subscribership and decreasing prices which ultimately will lead to long-term financial viability.

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By contrast, the Creditors firmly believe that the financial industry is highly unlikely to provide the capital necessary to fully fund the operations of Globalstar until Globalstar is able to generate sufficient operating revenue to be self sustaining. At best, without a grant of ATC, Globalstar only will be able secure sufficient funding to survive for the short term and probably will be required substantially to scale back its operations. The Creditors believe that similar funding shortfalls are likely to plague other operating MSS providers in the near future. Moreover, the financial markets will not fund the deployment of any new first or second generation MSS systems until the MSS industry's current reception problems are overcome. Consequently, commercial MSS systems, including Globalstar's system, are likely to cease operating at the end of their expected life—in less than a decade. As a result, their subscribers, including such important government agencies as the Department of Homeland Security, the Federal Bureau of Investigation, the Central Intelligence Agency, and the Department of Defense, will no longer have access to ubiquitous mobile communications.

The Creditors believe that Commission grant of ATC authority will prevent this result. With ATC authority, Globalstar will be able to provide the public interest benefits associated with MSS to many more people nationwide in the short term and, in the long term, will be able to continue to operate its existing system. As important, Globalstar will be much more likely to be able to secure the funding necessary to launch its next generation MSS system, which will ensure the continued availability of MSS services after currently operating MSS constellations expire.

Gating Requirements

Commission grant of ATC authority, however, will fail to accomplish these objectives and therefore will be of little value to MSS providers if ATC authority is restricted by the unnecessary and artificial gating requirements proposed by opponents of ATC authority. These gating requirements are not intended to further the Commission's objectives, but instead are intended to undermine the business case for MSS and ATC without providing any commensurate benefits to the public.

MSS providers should be required to deploy a bona fide MSS satellite system in compliance with all applicable coverage requirements prior to offering ATC service to their subscribers. MSS licensees simply will not spend a billion or more dollars each decade to construct and deploy a satellite system capable of providing continuous coverage to all fifty states, unless the satellite system provides subscribers with sufficient advanced voice and data services to justify its cost and ensure that it is rigorously utilized by subscribers. This fiscal reality will prevent MSS licensees from seeking Commission authority to deploy inadequate satellite constellations or attempting to modify their MSS licenses to degrade the capabilities of their licensed systems merely to obtain access to spectrum for terrestrial use. Moreover, the Commission already has

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the authority to prevent such a result. The Commission can deny a license or modification application proposing a satellite system with patently inadequate capabilities. Although the Commission should not second guess an MSS licensee's business judgment regarding what technology to use for its satellite constellation, the Commission is fully capable of recognizing when an applicant or a licensee proposes a minimal satellite system merely to obtain terrestrial access to spectrum.

MSS subscribers should be permitted to purchase individual MSS and ATC handset components. As an initial matter, the Commission generally does not regulate the design of consumer equipment, but instead defers to the market to determine the functionality best suited to a particular service's subscribers. The Commission should not depart from this policy in the instant proceeding.

If the Commission nevertheless adopts a gating requirement applicable to consumer equipment, the Creditors request the Commission to refrain from requiring every MSS handset to contain ATC and MSS components that are indivisible, rather than detachable. Such a requirement will dramatically reduce MSS subscribership. Globalstar is one of only a handful of companies worldwide with significant experience designing and constructing MSS handsets. This experience clearly has demonstrated that MSS handsets require antennas and batteries that are significantly larger than terrestrial cellphones. Consequently, MSS handsets are considered too cumbersome by many consumers to be carried easily on a day-to-day basis. Potential MSS subscribers are much more likely to subscribe to MSS services if they are able to carry a small detachable ATC component when indoors and in urban areas and then add the larger satellite component when they can benefit from ubiquitous MSS capabilities. This flexibility only is possible if MSS providers are permitted to develop handsets comprised of detachable MSS and ATC components.

The Creditors do not oppose a Commission mandate that new MSS customer be required, upon subscribing to an MSS service, to purchase an MSS component in order to qualify to purchase an ATC component. The Creditors, however, strongly oppose any requirement that detachable ATC and MSS components *always* be required to be sold together. After a subscriber purchases both an MSS and ATC component when first initiating service, the subscriber should be permitted to independently replace his ATC or MSS component depending on his personal needs. There is no justification for requiring a subscriber to incur the cost of replacing both components to benefit from a technological improvement in a later generation of a single component or because one of the components malfunctions. By requiring a new subscriber to purchase an MSS component or both an MSS and ATC component upon initiating service, the Commission can ensure that MSS providers do not offer terrestrial-only services.

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Calls should not be required to be carried via satellite in every feasible instance. Opponents of ATC have proposed to require every communication on an MSS/ATC system to be carried by the MSS platform if doing so is feasible. This would result in the inefficient use of spectrum and would reduce the spectrum resources available to rural subscribers. Through the use of a cellular infrastructure, ATC platforms will enable MSS providers to benefit from the terrestrial reuse of spectrum. Further, by dynamically coordinating MSS and ATC operations, MSS providers will be able to use the same spectrum for both ATC and MSS calls in the same satellite spot beam as long as the MSS use is not geographically adjacent to ATC base stations. Such efficient reuse of spectrum cannot be accomplished if every call that is capable of being carried by satellite is required to be carried by satellite, irrespective of whether the call also could be carried by a more spectrally efficient ATC platform. Moreover, if urban calls that could be carried on an ATC platform are instead carried by satellite, these calls will reduce the amount of spectrum available to rural areas compared to if the calls had been instead carried on an ATC platform. Ultimately, MSS providers should be permitted to route calls in the most efficient manner possible and the Commission should not dictate the manner in which MSS providers operate their integrated ATC/MSS systems. This will result in the more efficient use of spectrum and will free additional spectrum for use by rural callers not served by ATC platforms.

Conclusion

As explained herein, grant of ATC authority by the Commission will jumpstart the MSS industry and render the public interest benefits provided by Globalstar accessible to many more people nationwide. However, imposition of artificial and unnecessary gating requirements has the potential to completely undermine this objective. Therefore, the Creditors respectfully request the Commission to limit its imposition of gating requirements as described herein.

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Please direct any inquiries regarding this matter to the undersigned.

Very truly yours,

/s/ Tom Davidson

Tom Davidson, Esq.

Attorney for the Creditors

cc: Chairman Michael K. Powell
Commissioner Kathleen Q. Abernathy
Commissioner Michael J. Copps
Commissioner Kevin J. Martin
Commissioner Jonathan S. Adelstein
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