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WILLKIE FARR & GALLAGHER

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March 18, 2002

Blanca S. Biayo
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

020054-TE

Dear Secretary Biayo:

On March 18, 2002, Winstar Wireless, Inc. and certain of its domestic subsidiaries ("Winstar") filed an application to discontinue service with the Federal Communications Commission pursuant to Section 214 of the Communications Act. *See* 47 U.S.C. § 214. Pursuant to Section 63.71(a) of the Commission's rules, Winstar hereby notifies you of this action and submits a copy of its application. *See* 47 C.F.R. § 63.71(a). In addition, Winstar has notified the governor of your state in compliance with the Commission's regulations.

Sincerely,



Sophie Keefer

Enclosures

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC

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OFFICE OF THE SECRETARY

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In the Matter of)
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File No. _____

Section 63.71 Application)
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Winstar Wireless, Inc.)
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SECTION 63.71 APPLICATION

Pursuant to section 63.71 of the Rules of the Federal Communications Commission (hereinafter, "FCC" or "Commission"), and 47 U.S.C § 214(a) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the "Act"), Winstar Wireless, Inc. and its domestic subsidiaries¹ (collectively "Old Winstar" or "Applicant") respectfully submit this application requesting authority to discontinue certain domestic Wireline Facilities-Based Non-Governmental Services, which are facilities-based local exchange and interexchange telecommunications services that are being provided using wireline facilities leased from underlying carriers (as opposed to Winstar's own fixed wireless services). In support of its application, Old Winstar² submits the following:

¹ Winstar Wireless of Georgia, LLC; Winstar Wireless of Indiana, LLC; Winstar Wireless of New Jersey, LLC; Winstar Wireless of New York, LLC, Winstar Wireless of Pennsylvania, LLC; Winstar Wireless of Virginia, LLC and Winstar Wireless of West Virginia, LLC.

² The services provided to the customers affected by this discontinuance are currently being provided by Old Winstar pending approval of the assignment applications currently pending before the Commission and a number of states, as well as the transition of the service to New Winstar. (For purposes of this application, "New Winstar" is Winstar Holdings, LLC and its domestic subsidiaries.) Depending upon the

I. Information Pursuant to Section 63.71

A. Name and Address of the Carriers

Winstar Wireless, Inc., and its operating subsidiaries are currently located at 2350 Corporate Park Drive, Herndon, VA 20171. Contacts or correspondence for purposes of this Application should be directed to:

Joseph M. Sandri, Jr.
Senior Vice President & Regulatory Counsel
Winstar Wireless, Inc.
1850 M Street, NW, Suite 300
Washington, DC 20036
(202) 367-7643 (Tel)
(202) 253-3956 (Fax)
jsandri@winstar.com (E-Mail)

Old Winstar's toll-free customer service telephone number for customer inquiries regarding a discontinuance or reduction of services contemplated by this application is (888) 898-3334.

B. Date of Planned Service Discontinuance

Applicant anticipates discontinuing or reducing certain Wireline Facilities-Based Non-Governmental Services, including switched local and interexchange services, on or after April 17, 2002, or as soon as reasonably possible upon receipt of the necessary federal and state regulatory approvals.³

C. Points of Geographic Areas of Service Affected

timing of such approvals and the subsequent transition of customers, the discontinuance may occur in certain locations after the transition to New Winstar service occurs.

³ The notice period provided to customers in particular states varied from 30 to 60 days depending upon the discontinuance notice periods required under state public utility commission rules in the state where their service is located.

Applicant will be discontinuing or reducing the above-referenced Wireline Facilities-Based Non-Governmental Services in the states of Arizona, California, Colorado, Connecticut, District of Columbia, Florida, Georgia, Illinois, Massachusetts, Maryland, Michigan, Minnesota, New Jersey, New York, Pennsylvania, Texas, Virginia, and Washington as soon as reasonably possible upon the receipt of the federal and state regulatory authority necessary to do so.

D. Description of Type of Service Affected

Applicant will be discontinuing only its Wireline Facilities-Based Non-Governmental Services to commercial subscribers. Applicant will continue to offer its facilities-based fixed wireless services to commercial subscribers in buildings where it has wireless facilities, and certain other services, including resold local and interexchange services, private line services, and broadband connectivity. Applicant will also continue to offer its wireline and fixed wireless facilities-based services to government customers under its Government Service Administration (GSA) Metropolitan Area Acquisition (MAA) contracts.

E. Dates and Methods of Notice to All Affected Customers

Individual written notice in conformance with section 63.71⁴ of the Commission's regulations was provided to each customer impacted by the proposed discontinuance or reduction via first class mail on March 15, 2002. A copy of the text of the notice is attached hereto as Exhibit A. The notice provides the information required by Section 63.71(a) of the Commission's rules and identifies which services that Applicant is seeking to discontinue.

Old Winstar also certifies that, concurrent with the filing of this Application, it is submitting a copy of this Application to the public utility commission and the Governor of each state in which discontinuance or reduction of service is proposed, as well as to the Secretary of Defense, as required by Section 63.71(a) of the Commission's rules.

F. Status of the Carrier as Dominant or Non-dominant

Applicant and all of its operating subsidiaries are non-dominant in the provision of each of the services for which discontinuance authority is sought.

II. Circumstances of Discontinuance

Applicant provides, among other services, competitive wireline and wireless facilities-based and resold local and broadband telecommunications. On April 18, 2001, Winstar Communications, Inc. and some of its subsidiaries, including Winstar Wireless, Inc., filed for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code because of a drastic reduction in access to capital resources, a change in the expectations of financial institutions, and a severe decline in Winstar's stock value.⁵ These problems were not new to the competitive local exchange carrier ("CLEC") marketplace, and the same kinds of difficulties have plagued many other CLECs in the past year. On December 18, 2001, Applicant was on the verge of liquidating its assets, when IDT Corporation, through its subsidiary Winstar Holdings, LLC (collectively, "IDT" or "New Winstar"),⁶ submitted an offer to acquire the core domestic telecommunications assets of Winstar and manage its

⁴ 47 C.F.R. § 63.71.

⁵ *In re Winstar Communications, Inc.*, Case No. 01-01430 (JJF) (Bankr. D.D.E.).

network, subject to regulatory approvals. Subsequently, the Bankruptcy Court approved IDT's offer.⁷ Old Winstar and New Winstar have filed an application for assignment of Winstar's licenses.⁸

In light of the events leading up to Applicant's bankruptcy filing, Old Winstar and New Winstar are concentrating on a managed, orderly transition of the business and a reevaluation of the business plan going forward. As a result of this concerted effort to assure that the new company will not face the financial difficulties that brought Old Winstar to bankruptcy, the Applicants have since the date of the Sale Order been reviewing the types of services that are appropriate for New Winstar's business plan going forward and those that, because of the large financial losses that are being incurred, should not be continued by the new company.

Pursuant to this effort, on February 22, 2002, Old Winstar filed a Section 63.71 Application requesting permission to discontinue certain facilities-based switched local and interexchange services in selected markets as of April 2, 2002, but noted that Winstar will continue to focus on offering other services throughout its national footprint, including

⁶ The subsidiary that entered into the asset purchase agreement was IDT Winstar Acquisition, Inc. which, prior to the closing of the transaction, assigned its rights and obligations under the Asset Purchase Agreement to Winstar Holdings, LLC.

⁷ *Winstar Communications, Inc. et al., Order Authorizing (i) Sale of Certain of the Debtors' Assets Free and Clear of Liens, Claims Encumbrances, and Interests, (ii) Approving Cure Amounts with Respect to Certain Executory Contracts and Unexpired Leases, (iii) Authorizing the Debtors to Enter into and Approving Management Agreement, (iv) Approving Regulatory Transition Process and (v) Granting Related Relief*, Case No.: 01-1430 (JJF), at para. 23 (Dec. 19, 2001) (hereinafter, "Sale Order").

⁸ See Application of Winstar Wireless Fiber Corporation (debtor-in-possession), File No. 0000723317 (filed Jan. 10, 2002); Application of Winstar LMDS, Inc. (debtor-in-possession), File No. 0000721683 (filed Jan. 10, 2002); Application of WWI License Holding, Inc. (debtor-in-possession), File No. 0000721675 (filed Jan. 10, 2002); Application of Winstar Puerto Rico, Inc. (debtor-in-possession), File No. 00007211625 (filed Jan. 10, 2002). The applications appeared on Public Notice on January 16, 2002. See Public Notice, "Wireless Telecommunications Bureau Assignment of Authorization and Transfer of Control Applications Accepted for Filing," Rep. No. 1077 (rel. Jan. 16, 2002).

in the markets impacted by that discontinuance. On March 1, 2002, the FCC published a Public Notice, *Comments Invited on Winstar Wireless, Inc. Application to Discontinue Domestic Telecommunications Services (NDS File No. W-P-D-568) (DA 02-509) (hereafter March 1, 2002 Public Notice)*.

Subsequently, Old and New Winstar have continued to evaluate the business plan as to services and markets not addressed in the March 1, 2002, Public Notice. The protection and strengthening of the Fixed Wireless Services provided by the company is key. As a result of this effort, the management has now determined that certain types of services are not appropriate for New Winstar's business plan because of the large financial losses that would be incurred if such service is continued. Specifically, the Wireline Facilities-Based Non-Governmental Services that are being proposed for discontinuance have been a large reason for the losses suffered by Old Winstar and therefore contributed significantly to its financial decline and the resulting uncertainty and possibility of disruption for its customers.

Recent analysis indicates that such services represent approximately 48% of the cost of revenue for the provision of switched network voice telephony, while only accounting for approximately 12.5% of its customers. In fact, the cost involved in providing Wireline Facilities-Based Non-Governmental Services is approximately 130% of the revenue those services produce, yet a rate increase sufficient to make the services profitable would be competitively impossible. Clearly, losses of this magnitude could be noted as a major factor contributing to the need for Old Winstar to seek Chapter 11 status. It therefore would be imprudent in the extreme to perpetuate the same losses going forward, and the drain on New Winstar's cash flow would put pressure on its service rates

for its Fixed Wireless Services. Therefore, Winstar is realistically faced only with the option to discontinue these Wireline Facilities-Based Non-Governmental Services.⁹ Winstar will work with affected customers to facilitate their transfer to a new provider of their choice, and intends to call customers who do not respond to the discontinuance notices sent March 15, 2002 to alert them to the need to do so and to assist them in identifying available carriers.

III. Conclusion

For the foregoing reasons, Winstar respectfully requests, pursuant to Section 214(a) of Act, 47 U.S.C. § 214(a), and Section 63.71 of the Commission's Rules, 47 C.F.R. § 63.71, that the Commission approve its Application to discontinue the provision of certain Wireline Facilities-Based Non-Governmental switched local and interexchange Services. Also, the Commission should permit this Application to become automatically effective as per section 63.71 on the 31st day after filing.

⁹ Section 63.19 provides that notice of discontinuance of international services must be in writing at least 60 days prior to the planned action, "unless the Commission authorizes in advance, for good cause shown, another form of notice." 47 C.F.R. § 63.19(a)(1). Winstar believes that there is good cause to authorize notice to its customers related to this application of the discontinuance of international services on 30 days notice (consistent with notice it provided pursuant to Section 63.71) because of deadlines imposed by the bankruptcy court.

Winstar Wireless, Inc.
5151 Blazer Parkway, Suite A
Dublin, OH 43017

NOTICE OF TELEPHONE SERVICE DISCONTINUANCE
DO NOT DISREGARD THIS NOTICE

March 15, 2002

<Contact name>
<Customer name>
<Customer Address>
<Customer City, State, zip>

Master Account Number: <Master Account Number>

Service Address: <Service Address>

Dear Winstar Customer:

We regret to inform you that Winstar will no longer be able to provide the services that your business currently receives at the service address listed above. Therefore, Winstar must discontinue all **LOCAL, LONG DISTANCE, TOLL FREE and INTERNET SERVICES** you receive at the above-referenced service address. Subject to regulatory approval, the anticipated date for the discontinuance of your service is **April 15, 2002**.

This service discontinuance only affects the type of Winstar services provided at the address identified above. If you have business offices in other locations served by Winstar, those locations will not be impacted unless you are otherwise notified. We are eager to help you minimize any inconvenience this action may cause.

You must select a new carrier as soon as possible to avoid any interruption of service. Please do not delay in arranging for a new service provider as some carriers may require several weeks to install new services. To help avoid service disruption, please check carefully that all service types you currently have with Winstar (local, long distance, toll free, calling card and/or Internet) are moved to your new carrier. Once you have chosen your new provider, Winstar will work with the carrier you have selected to ensure a smooth transition of your service.

The Federal Communications Commission ("FCC") permits customers to object to discontinuance of their service by a telecommunications provider. As provided in the FCC's rule 47 CFR 63.71:

The FCC will normally authorize this proposed discontinuance of service unless it is shown that customers would be unable to receive service or a reasonable substitute from another carrier or that the public convenience and necessity is otherwise adversely affected. If you wish to object, you should file your comments within 15 days after receipt of this notification. Address them to the Federal Communications Commission, Washington, D.C. 20554, referencing the Section 63.71 Application of Winstar Wireless, Inc. Comments should include specific information about the impact of this proposed discontinuance upon you or your company, including any inability to acquire reasonable substitute service.

In addition to sending written comments to the Federal Communications Commission at the above address, a copy of your comments should be sent via facsimile to Jon Minkoff, Attorney, FCC Network Services Division at 202-418-2345.

Winstar appreciates the opportunity we have had to serve you. As you were advised in a February 14th letter, the Company has been working to transfer your service to a new company, but unfortunately has been unable to do so. We are committed to your complete satisfaction during this transition period. If you have any questions regarding the discontinuance of your service, please contact us at 1-888-898-3334 or visit http://www.winstar.com/customer_care/private. Please check the website frequently for updates. Your master account number (listed above) is required to access the website information regarding this notification.

Sincerely,

Winstar Wireless, Inc.