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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the matter of Implementation of Section 309(i) Of the Communications Act Competitive Bidding	))))	PP Docket No. 93-253

SYSTEMS ENGINEERING, INC.

Systems Engineering, Inc. (SEI) has had the pleasure of reviewing the comments of Venus Wireless, Inc. pertaining PP Docket No. 93-253. SEI fully supports the comments of Venus Wireless, Inc. and has restated their comments below.

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1. Definition of women and minorities

The FCC should use existing certification programs to insure the qualifications of women and minority applicants.

The States have in place stringent programs to certify bona-fide Women-owned Businesses and Minority Owned Businesses. These certification programs are currently used to support state, federal and private procurement programs which require purchasing entities to conduct a certain percentage of their business with minority and women owned businesses.

The FCC should require Minority and Women owned applicants to prove their status by submitting current certification issued by the state where their business is legally based.

2. Avoiding discriminatory treatment of women and minorities

Analysis of the licensing records for wireless services similar to PCS shows that women and minorities' participation as licensees has been negligible. This is not an opinion: it is a fact. Yet there is no shortage of qualified minorities and women in the actual provision of wireless services. The percentage of women and minorities employed by the wireless industry as professional staff (attorneys, accountants etc.) or sales and technical staff approximates the percentage representation of minorities and women in the relevant

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population. There is strong circumstantial evidence that women and minorities have been deemed to be "good enough" to work for wireless companies owned and controlled by white, male individuals, but not "good enough" to participate in the financial rewards of ownership.

Whether such discrimination is attributable to the unfair practices of the financial system, or to inequities built in the licensing process will not be discussed here. The important thing is that Congress has recognized the past history of discriminatory treatment and has directed the Federal Communications Commission (FCC) to avoid such treatment in the licensing of PCS.

With its decision to award licenses based on Major and Basic Trading Areas, the FCC has created a significant disincentive to the participation of women and minorities because the financial requirements for licensing and building a PCS system even in the smaller BTA are likely to exceed the financial resources of most, if not all, companies controlled by women and minorities.

We suggest that in order to mitigate the impact of its licensing policies on minorities and women, the FCC adopt the following procedures:

A. Group combinatorial bidding for C and D channel blocks should NOT be allowed. Failure to do so would promote strong disincentives to bid for these channel blocks, since it would favor DEs which ally themselves with national players. C and D channel blocks are meant to encourage experimentation in local and regional PCS offerings. They should not be allowed to become a cheap playground for national players.

B. Preferences for women and minorities should be awarded IN ADDITION to preferences for small businesses and rural telcos.

   A designated entity ("DE") bidder should receive a credit equal to 50% of the percentage ownership of that entity by women and minorities, up to 25% credit.

   For example, let's assume that DE X is a small business, and DE Y is a small business owned 100% by women. X bids $ 1,000,000 and Y bids $ 950,000. Y would be awarded the license because its bid would be the equivalent of S 1,187,500 ($ 950,000 plus $ 237,500 due to the 50% credit for 100% women ownership, capped at a maximum 25%).

C. Credits for women and minority ownership participation should be awarded to all non-designated bidders.

A bidder for A or B channel blocks should receive a credit equal to 50% of the percentage ownership of that entity by women and minorities, up to 10% credit.

For example, Company Z and Company Q are both bidders on the A channel block. Company Z is owned 25% by minorities and bids $ 950,000. Company Q does not have any minority or women ownership and bids $ 1,000,000. Company Z would win the license because its bid would be the equivalent of $ 1,045,000 ($ 950,000 for the bid, plus S 95,000 for 50% of 25%, capped at 10%).

D. DEs should be allowed to obtain sub-licensing from primary licensees for areas with a population of less than 5,000 ("DE areas") at a price equal to the price paid by the primary licensee.

This provision is designed to correct, at least in part, the problem posed by the very large size of the license areas, which stifles participation by DEs with less than deep pockets. It would allow DEs to select niche areas to offer PCS, and to do so in a manner which would not materially impair the operations of the primary licensee nor reduce the flow of license revenues to the Treasury.

The DEs should be allowed to submit applications for DE areas within ten days after the license for the larger area has been awarded to the primary licensee. The application shall define a) the geographic area to be covered by the sub-license; b) the number of population covered by the sub-license; c) the status of the applicant as a bona-fide DE. Payment for the sub-license shall be made to the primary licensee in a lump sum within ten days after the primary licensee has effected the payment for its license. The transfer limitations imposed in section 4 below shall not apply.

In case of competing DE applicants for sub-licenses to the same geographic area, the FCC shall determine the winning DE applicant by lottery during the period between the ten days after the primary license has been awarded and the day payment is due from the primary licensee.

3. Payment method

We support the FCC's proposal to allow all designated entities to pay for the bid amount in installments, with interest at prime plus 1%.

We propose the following additions to the FCC's proposal:

A. The period for payment should equal the term of the license (i.e., ten years).

B. All non-designated bidders who include minorities or women among their equity participants should be allowed to pay in installments a percentage of their bid amount equal to 100% of their women-minority ownership. For example, Company X bids $ 1,000,000 and is owned 25% by minorities and women. Company X would be allowed to pay in installments 25% of the price.

4. Safeguards

We are most concerned about instituting safeguards which insure the fair treatment of bona fide DEs, while promoting the integrity of the preferential system.

In addition to the certification program proposed in 1 above, the FCC should adopt the following procedures:

A. Defaults.
In the case of defaults in the payment of license fees by DE licensees, the FCC should allow a ninety days grace period and then re-auction the license. Only DEs should be allowed to bid.

B. Transfers
There should be no limitations concerning the transfer of ownership from one DE to another or to a non-DE, as long as the total percentage of DE ownership of the entity after the transfer is no less than that at the time the license was awarded.

Transfers which reduce the percentage DE ownership below that at the time the license was awarded will result in a penalty equal to the percentage decline in DE ownership times the benefit derived from DE ownership.

For example, Company X has 10% minority-women ownership. This allowed it a) a 5 % credit (see section 3 above) in the bid price; and b) 10% of the bid amount to be paid in installments. Now there is a change in the ownership of Company X, so that minority-women ownership declines to 5% (50% decrease). At the time the transfer of ownership is made, only 3% of the 10% principal amount to be paid in installments has been paid. Company X shall pay an amount equal to 2.5% of the bid price (.5 x 50%), plus 3.5% of the bid price (50% x (10%-3%)).

5. Systems Engineering, Inc.

Systems Engineering, Inc. (SEI) is a business incorporated in the state of Virginia. SEI is 100% owned by minorities and has obtained certification as such in the state of Virginia. The corporate mission is to offer specialized PCS services to business customers (such as universities, hotels, etc.).

Respectfully submitted,

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