

90-314

RECEIVED

APR 22 1994

DOCKET FILE COPY ORIGINAL

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

**PCS/CELLULAR CROSS-OWNERSHIP BENCHMARKS**

The Current Rules **Permit** a Company that Has Less than 20 Percent Cellular Ownership In the PCS Service Area To Apply for a PCS Authorization Even If the Cellular License Area Is Contiguous With the PCS License Area.

*In the Baltimore/Washington MTA, this entity could have up to 1,599,599 "effective POPs."*

The Current Rules **Permit** a Company that Has 100 Percent Cellular Ownership In the PCS Service Area To Apply for a PCS Authorization If the Cellular License Area Overlaps the PCS License Area By Less than 10 Percent.

*In the Baltimore/Washington MTA, this entity could have up to 799,599 "effective POPs."*

The Current Rules **Bar** a Company That Has 20 Percent Cellular Ownership In the PCS Service Area from Applying for a PCS Authorization If the Cellular License Area Overlaps the PCS License Area By 10 Percent.

*In the Baltimore/Washington MTA, this entity would have 159,920 "effective POPs."*

No. of Copies rec'd 2 copies  
List ABCDE

Cellular eligibility rules adopted in Second Report and Order thwart Commission's stated goal of striking "an appropriate balance between fostering broad participation in PCS and ensuring that cellular operators do not exert undue market power."

At a minimum, on Reconsideration, the Commission should adopt the following:

20% "effective POPs" eligibility test

Post-auction divestiture of cellular interests to comply with eligibility rules

Issuance of tax certificates for divestiture to comply with eligibility rules

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

APR 22 1994

RECEIVED

## Reconsideration of Cellular Eligibility Rules

20% "effective POPs" eligibility test

Current eligibility test uniquely affects independent cellular carriers

Product of FCC's cellular settlement policy

RBOCs not generally in minority ownership situations

Post-auction divestiture of cellular interests to comply with eligibility rules

Pacific Telesis Group & PacTel Corp. "temporary waiver" of Section 99.204

## IRC Section 1071 - Tax Certificates

IRC Section 1071 permits FCC to grant tax certificates that serve to postpone recognition of gain on sale or exchange of certain property if sales proceeds are reinvested in "similar use" property.

Reinvesting in PCS would constitute "similar use"

Second Report and Order (Para. 18) states that PCS "is expected to compete with cellular

FCC endorsed use of tax certificates as an incentive for microwave relocation efforts in ET 92-9.

Grant of tax certificates would further competition - greater diversity of suppliers and services in cellular and PCS.

## Tax Certificate Illustration

	<u>w/o tax cert.</u>	<u>w/tax cert.</u>
Sales price of ABC cellular p'ship interest	1,000,000	1,000,000
Basis for Gain/Loss	<u>100,000</u>	<u>100,000</u>
Gain Realized	900,000	900,000
Realized gain recognized under IRC 1033	900,000	0
Less amts app. as basis reduction to existing deprec. prop.	0	0
Recognized Gain on disposition of p'ship interest	<u>900,000</u>	0
Federal tax liability	315,000	0
Proceeds available for reinvestment	685,000	1,000,000



Carol L. Bjelland  
Director  
Regulatory Matters

GTE Service Corporation  
1850 M Street, N.W., Suite 1200  
Washington, D.C. 20036  
(202) 463-5292

March 30, 1994

**Mr. William Caton**  
**Acting Secretary**  
**Federal Communications Commission**  
1919 M Street, N. W.  
Washington, D. C. 20054

**RE: EX PARTE: GEN Docket No. 90-314**

Dear Mr. Caton:

On March 29, 1994, representatives of GTE Service Corporation and GTE Personal Communications Services met with Mr. Ralph Haller and several members of the FCC's PCS Task Force to discuss issues raised in GTE's Petition for Limited Reconsideration or Clarification previously filed in the above-referenced proceeding. The attached document was used to augment the discussion.

Please include this letter, and the attached discussion outline, in the record of this proceeding in accordance with the Commission's rules concerning ex parte communications.

Sincerely,

Carol L. Bjelland

C: R. Haller

Cellular eligibility rules adopted in Second Report and Order thwart Commission's stated goal of striking "an appropriate balance between fostering broad participation in PCS and ensuring that cellular operators do not exert undue market power."

At a minimum, on Reconsideration, the Commission should adopt the following:

20% "effective POPs" eligibility test

Post-auction divestiture of cellular interests to comply with eligibility rules

Issuance of tax certificates for divestiture to comply with eligibility rules

## Reconsideration of Cellular Eligibility Rules

20% "effective POPs" eligibility test

Current eligibility test uniquely affects independent cellular carriers

Product of FCC's cellular settlement policy

RBOCs not generally in minority ownership situations

Post-auction divestiture of cellular interests to comply with eligibility rules

Pacific Telesis Group & PacTel Corp. "temporary waiver" of Section 99.204

## IRC Section 1071 - Tax Certificates

IRC Section 1071 permits FCC to grant tax certificates that serve to postpone recognition of gain on sale or exchange of certain property if sales proceeds are reinvested in "similar use" property.

Reinvesting in PCS would constitute "similar use"

Second Report and Order (Para. 18) states that PCS "is expected to compete with cellular

FCC endorsed use of tax certificates as an incentive for microwave relocation efforts in ET 92-9.

Grant of tax certificates would further competition - greater diversity of suppliers and services in cellular and PCS.

## Tax Certificate Illustration

	<u>w/o tax cert.</u>	<u>w/tax cert.</u>
Sales price of ABC cellular p'ship interest	1,000,000	1,000,000
Basis for Gain/Loss	<u>100,000</u>	<u>100,000</u>
Gain Realized	900,000	900,000
Realized gain recognized under IRC 1033	900,000	0
Less amts app. as basis reduction to existing deprec. prop.	0	0
Recognized Gain on disposition of p'ship interest	<u>900,000</u>	0
Federal tax liability	315,000	0
Proceeds available for reinvestment	685,000	1,000,000