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**CTIA**

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May 26, 1994

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W. Room 222  
Washington, D.C. 20554

**RECEIVED**

MAY 26 1994

**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY**

Re: Ex Parte Filing  
GEN Docket No. 90-314  
Personal Communications Services

Dear Mr. Caton:

On Wednesday, May 25, 1994, copies of the attached presentation materials were used in a meeting of the Cellular Telecommunications Industry Association (CTIA) Small Operators Caucus with Commissioners Rachelle B. Chong and Susan Ness. Accompanying Commissioner Chong were her Senior Advisor, Jane E. Mago, and Legal Advisor, Richard K. Welch. Accompanying Commissioner Ness were her Interim Advisors Gregory J. Vogt and Rosiland Allen. In a separate meeting, representatives of the CTIA Small Operators Caucus also met with Karen Brinkmann, Special Assistant to Chairman Hundt, and Donald Gips, Deputy Chief, Office of Plans and Policy. Representing the CTIA Small Operators Caucus in these meetings were Robert F. Broz, President of RFB Cellular, Inc.; Michael E. Kalogris, President and CEO, Horizon Cellular Telephone Company; Alex Gellman, Director of Acquisitions, Horizon Cellular; Gerald S. McGowan, President, Steel Valley Cellular; Thomas E. Wheeler and Randall S. Coleman of CTIA.

In a separate meeting, Rudolfo Baca, Legal Advisor to Commissioner James Quello, met with Robert F. Broz, President of RFB Cellular, Inc.; Alex Gellman, Director of Acquisitions, Horizon Cellular; Gerald S. McGowan, President, Steel Valley Cellular; and Randall S. Coleman of CTIA. The substance of the matters discussed, as summarized in the attached presentation materials, reflect CTIA's position as previously filed in this docket.

Pursuant to Section 1.1206(a)(1) of the Commission's Rules, an original and one copy of this letter and presentation materials are being filed with your office.

If there are any questions in this regard, please contact the undersigned.

Sincerely,

Robert F. Roche

Attachment

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## WHY NOT PARITY?

CTIA Small Operators Caucus  
May 25, 1994



**THERE IS NO PARITY BETWEEN 30 MHz MTA  
AND 10 MHz BTA (or 30 MHz BTA) LICENSES**

- **FCC's Proposal for Licensed PCS Spectrum Allocation and Service Areas**
  - 2 - 30 MHz MTA
  - 1 - 30 MHz BTA (or MTA)
  - 3 - 10 MHz BTA
  
- **CTIA's Analysis**
  - **Big companies are advantaged by:**
    - **Large spectrum blocks (30 MHz) and large license areas (Major Trading Areas or "MTAs")**
    - **Deep pockets in an auction environment**
    - **Fewer and costlier opportunities to participate excludes small and medium-sized entities**
    - **Exclusion of qualified and interested bidders (i.e., cellular carriers) in many MTA markets**
  
- **Solution**
  - **20 MHz BTA building blocks with aggregation will allow:**
    - **greater competition**
    - **greater participation for small and medium-sized entities**
  - **Greater cellular participation will allow:**
    - **Greater bidding competition (higher revenues)**
    - **New services**
    - **Faster rollout in small communities**

**THERE IS NO PARITY UNDER ATTRIBUTION RULES**

- FCC's Proposal
  - Cellular Eligibility:
    - In Market -- up to 15 MHz from the three 10 MHz blocks with no restrictions on splitting blocks or any other secondary market activities.
    - Out of Market -- up to 40 MHz from any block except one 30 MHz block (Block C).
    - In/Out Market Determination -- definition of "in market" is two part test: 1) 20% (perhaps 30%) ownership of a cellular property, and 2) 10% of the population in the license. Both tests must be met. If only one is met, the property is not "in market."
- CTIA's Analysis
  - FCC's proposed attribution rules exclude small cellular companies or force them to BTA building blocks which the FCC has indicated are inadequate for new entrants.
- Solution
  - Raise attribution threshold to 30-35% and overlap threshold to 40%
  - Or adopt proportionate attribution approach used by financial community:

$$\% \text{ Ownership} \times \text{No. Pops} = \text{Attributable Pops}$$



THERE IS NO PARITY AMONG OF DESIGNATED ENTITIES

- **FCC's Proposal:**
  - **Small Business:**
    - Definition -- companies with \$40 million or less annual revenues
    - Installment payment terms -- 10% at bid, 10% at award, 80% financed at 10-year T-bill rates with no payment for two years
    - Proposal limited to the one 30 MHz block (Block C)
  - **Businesses Owned by Women and Minorities:**
    - Installment payment terms -- (same as small business)
    - 35% bidding credit
    - Non-designated entity may own up to 49.9% of the designated entity. If the designated entity does not own at least 50.1%, the bidding credit is reduced by a formula.
    - Proposal limited to the one 30 MHz block (Block C)



THERE IS NO PARITY AMONG OF DESIGNATED ENTITIES (CONTINUED)

- CTIA's Analysis
  - No parity with some designated entities paying \$1.00 and other designated entities paying \$.65.
  - Contravenes congressional directive to the FCC to "ensure that small businesses, rural telephone companies, and businesses owned by minority groups and women are given the opportunity to participate in the provision of spectrum-based services, and, for such purposes, consider the use of tax certificates, bidding preferences, and other procedures."
  - Favoring one designated entity at the expense of another is outside of the statutory language.
- Solution
  - Create bidding parity among all designated entities

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CONCLUSION

- The innovation and competition that small businesses offer should be encouraged in PCS. There is no reason to discriminate.
- Policy of inclusion and greater bidding competition will maximize auction proceeds.