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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

JUN 2 9 1994

In the Matter of	)	
	)	
Implementation of Section 309(j)	)	PP Docket No. 93-253
of the Communications Act	)	
Competitive Bidding	)	

MCI COMMENTS

MCI Telecommunications Corporation (MCI), by its attorneys, hereby submits its comments on certain petitions for reconsideration or clarification of the Second Report and Order (R&O) in the above-captioned proceeding.

Rural Telephone Company Eligibility. Several petitioners seek a broadening of the definition of "rural telephone company," claiming that the current definition fails to provide telephone companies serving predominantly rural areas an opportunity to participate in PCS. (See, e.g., NTCA at 13; US Intelco at 11.) MCI opposes further liberalization of the definition of "rural telephone company." Expansion of the definition to include large telephone companies which do not exclusively serve rural areas is inappropriate.

Similarly, it is neither necessary nor appropriate to grant consortia composed of rural and non-rural telephone companies designated entity status for bidding purposes, so that rural telephone companies will have an opportunity to participate in PCS. The Commission has properly focused on the opportunities for direct participation of rural telephone companies in PCS, and it should continue to do so. Proposals such as that put forth by

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TDS (Petition, at 2-3), which would allow a large non-rural telephone company to hold up to 60% of a consortium license, subject to a requirement to offer "at cost" some portion of its equity interest to qualifying rural telephone companies, should be rejected.

Disclosure of Bidder Identity. Two petitioners seek reconsideration of the Commission's decision to protect the identity of bidders from disclosure. Southwestern Bell (at 8-10) asks the Commission to announce both the amount of the high bid and the identity of the high bidder at the end of each auction round. Similarly, GTE (at 4-6) asks the Commission to issue a public notice or similar document in advance of the auction identifying the entity associated with each bidder number.

Both petitioners assert, albeit inaccurately, that the Commission's sole basis for protecting the identity of bidders is concern for collusion, and claim that the fact that bid rigging is illegal provides an adequate deterrent to collusion. MCI submits that even if collusion were the only issue, the Commission's decision to mask bidder identities would be a prudent additional safeguard, given the lack of experience with spectrum auctions.

Both Southwestern Bell and GTE have ignored the Commission's other expressed concern with unmasked bidding, the potential for strategic manipulation. See R&O para. 158 and n. 118. Anonymity

during bidding, as discussed by Professors Harris and Katz in the cited reference, makes it harder for bidders

> to make preemptive bids designed more to harm specific competitors...than to allow the efficient and desirable provision of services.

Strategic manipulation, referred to as "speculative hold-up" by Professors Harris and Katz, provides a separate and independent basis for bidder anonymity.

GTE asserts that unmasking bidders during bidding is necessary to prevent outcomes like those observed in Australia, where winning bidders submitted highly speculative cascading bids and then deliberately defaulted, resulting in awards to the next-highest bidders -- themselves. The Commission has already adopted several other measures to prevent the situation described by GTE, including substantial upfront payments, and substantial penalties for bidder default. Given the adverse consequences of revealing bidder identities (i.e., bidder collusion and strategic manipulation) and given Commission safeguards against speculation, bidder identities should not be revealed.

WHEREFORE, MCI urges the Commission to take its views, as expressed herein and in MCI's petition for reconsideration, into account in its deliberations in this proceeding.

Respectfully submitted,

MCI TELECOMMUNICATIONS CORPORATION

By: Larry A. Blosser

Larry A. Blosser
Donald J. Elardo
1801 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
(202) 887-2727

Its Attorneys

Dated: June 29, 1994

CERTIFICATE OF SERVICE

I, Vernell V. Garey, hereby certify that on this 29th day of June, 1994, copies of the foregoing **"MCI COMMENTS"** in PP Docket No. 93-253 were served by first-class mail, postage prepaid upon the parties on list below, except as otherwise indicated.

***By Hand**

Vernell V. Garey

Dr. Robert M. Pepper*
Office of Plans and Policy
Federal Communications Commission
1919 M Street, N.W.
Room 822
Washington, D.C. 20554

Evan Kwerel*
Office of Plans and Policy
Federal Communications Commission
1919 M Street, N.W.
Room 822
Washington, D.C. 20554

John Williams*
Office of Plans and Policy
Federal Communications Commission
1919 M Street, N.W.
Room 822
Washington, D.C. 20554

David R. Siddall*
Office of Engineering and Technology
Federal Communications Commission
2025 M Street, N.W.
Room 7102-A
Washington, D.C. 20554

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

International Transcription Service*
1919 M Street, N.W., Room 214
Washington, D.C. 20554

George Y. Wheeler
Koteen & Naftalin
1150 Connecticut Avenue, N.W.
Suite 1000
Washington, D.C. 20036

Stephen G. Kraskin
Sylvia Lesse
Charles D. Cosson
Kraskin & Associates
2120 L Street, N.W., Suite 810
Washington, D.C. 20037

Benjamin H. Dickens, Jr.
John A. Prendergast
Blooston, Mordkofsky, Jackson & Dickens
Suite 300
2120 L Street, N.W.
Washington, D.C. 20037

William J. Franklin
Attorney for Cellular
Settlement Groups
Law Offices of William J.
Franklin
1919 Pennsylvania Avenue, N.W.
Suite 300
Washington, D.C. 20006-3404

James D. Ellis
Paula J. Fulks
Southwestern Bell Corporation
175 E. Houston, Room 1218
San Antonio, TX 78205

Gail L. Polivy
GTE
1850 M Street, N.W.
Suite 1200
Washington, D.C. 20036

Joe D. Edge
Sue W. Bladek
Mark F. Dever
Hopkins & Sutter
888 16th Street, N.W.
Washington, D.C. 20006

Timothy E. Welch
Dean George Hill & Welch
Suite 113
1330 New Hampshire Avenue, N.W.
Washington, D.C. 20036

William E. Zimsky
William E. Zimsky Law Offices
P.O. Box 3008
Durango, CO 81302

Dennis C. Brown
Robert H. Schwaninger, Jr.
Brown and Schwaninger
1835 K Street, N.W., Suite 650
Washington, D.C. 20006

David E. Weisman, Esquire
Cary S. Tepper, Esquire
Meyer, Faller, Weisman &
Rosenberg, P.C.
4400 Jenifer Street, N.W.,
Suite 380
Washington, D.C. 20554

Henry E. Crawford
Law Offices of Henry E.
Crawford
1150 Connecticut Avenue, N.W.
Suite 900
Washington, D.C. 20036

Charles A. Tievsky
Regulatory Attorney
Cable & Wireless, Inc.
1919 Gallows Road
Vienna, VA 22182

Maurita K. Coley, Esquire
Senior Vice President -
Legal Affairs
Black Entertainment Television
1232 31st Street, N.W.
Washington, D.C. 20007