

DOCKET FILE COPY ORIGINAL

Applied
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Technologies, Inc.

Telecommunications Financing

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EX PARTE OR LATE FILED

July 20, 1994

HAND DELIVER

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

Re: ET Docket No. 93-266
Ex Parte Presentation

Dear Mr. Caton:

In accordance with Section 1.1206(a)(1) of the Commission's rules, attached are two copies of an ex parte letter submitted today for inclusion in the above referenced docket.

Should you have any questions concerning this matter, please do not hesitate to contact the undersigned directly.

Sincerely,



Phillip Magiera
Applied Telecommunications
Technologies, Inc.

Enclosures

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JUL 21 1994

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

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WASHINGTON, D.C. 20541

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

Re: ET Docket No. 93-266
Ex Parte Presentation

Dear Mr. Caton:

ATTI previously submitted comments to the Commission in favor of preserving the pioneer's preference process for PCS. ATTI expressed its concern, as a provider of secured debt financing to emerging telecommunications companies, that, if the Commission were to revoke its promise to meritorious applicants of spectrum in exchange for bearing the risk of developing and proving new technologies, then capital would become scarce and more expensive for telecommunications entrepreneurs, generally. This would

adversely impact America's technology infrastructure, diminish the utility to the consumer, and harm America's economic competitiveness.

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The purpose of this letter is to expand upon our position in light of current proposals to charge the pioneers as much as 90% of the amount of a successful bid for a comparable license.

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FEDERAL COMMUNICATIONS COMMISSION

First, any actions by the Commission that limit access to capital would have a particularly profound effect on the Designated Entities. If the Pioneers, already deemed by the Commission to be meritorious, are denied the preference they were promised, investors would be compelled to weigh the risk, perceived or real, that the discounts and preferences offered to the Designated Entities might be rescinded at some time in the future.

Second, the proposed discount of ten percent below successful bids for comparable licenses has no logical basis:

How is another's bid relevant? The business plans and profit projections by which the successful bidder for a so-called comparable license justifies its bid may differ radically from the business plans and projections upon which the Pioneers based their investments in technology.

Why a discount of 10%? If the Pioneer must make some payment, the discount should relate to the costs the Pioneer has incurred, to the risks it has borne, and to the contribution it has made to development of the industry. These factors cannot be summed tidily in a figure of 10%.

That these issues are being raised so long after the Pioneers have committed significant resources only perpetuates the perception of risk that telecommunications investors bear from arbitrary regulatory action.

If political concerns dictate that some payment must be made, ATTI is in favor of payments tied most directly to what the Pioneers can earn. On this basis, ATTI finds one alternative that has been proposed-that payments be made in the form of royalties-to be the most acceptable financially because it provides a mechanism for managing the Pioneers' risk and indicates that the Commission is concerned about the impact of its decisions on telecommunications entrepreneurs and about their continued access to capital.

In accordance with Section 1.1206(a)(1) of the Commission's rules, I am submitting to you today two copies of this letter for inclusion in the public record of the above-referenced docket.

Sincerely,



Phillip S. Magiera, President
Applied Telecommunications
Technologies, Inc.

cc (via hand delivery):

Chairman Reed Hundt
Commissioner James Quello
Commissioner Andrew Barrett
Commissioner Susan Ness
Commissioner Rachelle Chong
William Kennard, Esq.
Dr. Robert Pepper
Mr. Donald Gips