



DEPARTMENT OF JUSTICE
Federal Communications Commission
Washington, D.C. 20554

MAY 8 1996

The Honorable Sam Nunn
United States Senator
75 Spring Street, Suite 1700
Atlanta, Georgia 30303

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RECEIVED

MAY - 9 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Dear Senator Nunn:

Thank you for your letter of March 28, 1996, on behalf of your constituent, John R. Knight, Sr., regarding the Commission's decision to freeze acceptance of paging applications. Mr. Knight expresses concern that the suspension of processing of paging applications will adversely affect small businesses that provide paging services.

The Commission is currently conducting a rulemaking proceeding that proposes to transition from licensing paging frequencies on a transmitter-by-transmitter basis to a geographic licensing approach, using auctions to award licenses where there are mutually exclusive applications. In conjunction with that proceeding, the Commission initially froze processing of applications for paging frequencies. On April 23, 1996, the Commission released a First Report and Order in WT Docket 96-18 and PP Docket 93-253, which adopted interim measures governing the licensing of paging systems and partially lifted the interim freeze for incumbent paging licensees. For your convenience and information, enclosed is a copy of the Press Release concerning the First Report and Order, which includes a summary of the principal decisions made. Specifically, small and medium sized incumbent paging companies will be permitted to expand their service areas if the proposed new site is within 65 kilometers (40 miles) of an authorized and operating site. These interim rules will remain in effect until the Commission adopts final rules in the paging proceeding.

Thank you for your inquiry.

Sincerely,

David L. Furth
Chief, Commercial Wireless Division
Wireless Telecommunications Bureau

Enclosure

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United States Senate

COMMITTEE ON ARMED SERVICES
WASHINGTON, DC 20510-6050

*PRB
ps-paging
1748*

March 28, 1996

Ms. Judith Harris
Federal Communications Commission
Office of Legislative Affairs
1919 M Street, N.W.
Washington, D.C. 20554

Dear Ms. Harris:

I recently received the enclosed inquiry from one of my constituents. Please review the matter thoroughly, in accordance with established policies and procedures, and provide me with a full report.

I look forward to hearing from you in the very near future.

Sincerely,


Sam Nunn

SN:csc

Enclosure

PLEASE REPLY TO:
Office of Senator Sam Nunn
Attn: Carrie Channell
75 Spring Street
Suite 1700
Atlanta, Georgia 30303
404/331-4811

Best Page LLC.
A Wireless
Communications Co.

John Knight Sr.
Best Page L.L.C.
135 Ambler Way
Alpharetta, GA 30202

95 MAR 25 PM 2:16
ATLANTA OFFICE

March 20, 1996

Patricia Murphy
Senator Sam Nunn
75 Spring ST.SW
Suite 1700
Atlanta GA. 30303

Dear Ms Murphy:

As we have discussed via the phone, I appreciate you taking your time to study the bad situation we have with our paging licenses being frozen at the FCC.

I have enclosed an information package regarding our position. Hope you can give us some help and direction. I will await your reply.

Thanks.

Sincerely,

John R. Knight , Sr.

Enclosures: 1 Folder

Proposal for Modification Of Freeze
To Allow Incumbent Operators To Meet Customer Demand

1. The FCC will accept, process and grant under the Commission's rules in effect as of February 7, 1996, applications by Part 22 and Part 90 paging licensees or permittees, with valid permits or licenses as of February 7, 1996, where necessary to expand or modify systems to meet customer demand.
2. Applications would be subjected to public notice and comment, if required under the rules in effect as of February 7, 1996, and applications could be filed by incumbents or new applicants which would be mutually exclusive with the noticed applications and which otherwise protect existing or proposed facilities as of February 7, 1996.
3. Requests for exclusivity on 929 MHz channels would be granted in appropriate cases under rules in effect as of February 7, 1996.
4. Mutually exclusive applications would not be processed until the conclusion of the rulemaking and would be subject to whatever approach is adopted in the rulemaking for resolving mutual exclusivity including auctions. However, parties could agree to eliminate mutual exclusivity through inter-carrier sharing agreements in appropriate cases.

Coalition for a Competitive Paging Industry

Briefing Paper

on Paging Freeze

What is the Coalition?

- ♦ A group of more than 30 companies which includes paging operators and equipment manufacturers of varying sizes, ranging from small "mom and pop" businesses to publicly-traded companies, and with diverse geographical locations, whose businesses are impaired by the paging freeze imposed February 8, 1996 by the Federal Communications Commission (FCC).
- ♦ The Coalition filed an "Emergency Petition for Immediate Withdrawal of the Freeze" with the FCC on February 28, 1996 and reply comments on March 11, 1996.

Background on the Paging Freeze.

- ♦ On February 8, 1996, the FCC imposed a freeze on acceptance and processing of virtually all paging applications (with the sole exception of nationwide carriers), including applications for new or modified facilities by incumbent paging operators, pending the outcome of a Notice of Rulemaking proceeding commenced on the same day (WT Docket No. 96-18; PP Docket No. 93-253). The rulemaking proposes to transition the industry to a geographic licensing approach and to use auctions to award licenses in mutually exclusive situations.
- ♦ The freeze was imposed by the FCC without first seeking the views of those businesses directly affected. The FCC established an expedited comment schedule on the freeze (with comments due March 1 and March 11, 1996.) On March 1, 1996, more than 50 comments were filed (many of which represented the views of multiple paging operators.) All of the comments filed March 1 opposed the freeze as it now stands.
- ♦ Regardless of the FCC's intention to consider the freeze in a timely fashion, it is not unreasonable to expect that there may be administrative delay in ruling on the freeze, particularly at a point in time where the FCC's responsibilities and priorities may be affected by the Telecommunications Act of 1996.

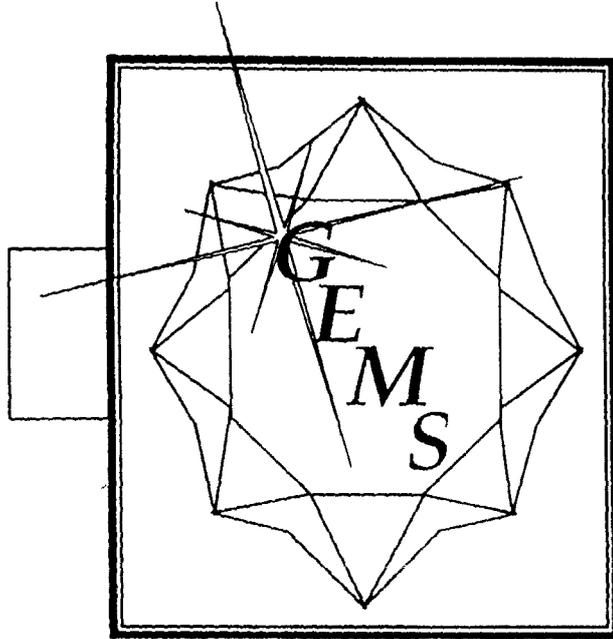
The Freeze Has a Devastating Impact on the Paging Industry and the Public

- ♦ The freeze has an immediate adverse impact on the highly competitive and well-established paging industry and the public it serves. Paging companies must expand or modify facilities on a regular basis in order to meet customer demand and increase their competitiveness. The freeze prevents paging companies from making the necessary technical changes to expand and improve existing service. Even a short delay will have a disastrous impact on members of this highly competitive industry in terms of lost opportunities in the marketplace.
- ♦ The freeze inhibits introduction of advanced wireless messaging services which are in the process of being introduced by the industry. These include Internet e-mail and enhanced text services such as stock quotes, news and sports updates via alphanumeric pagers.

- ♦ The freeze is inequitable, falling only on local and regional carriers, many of which are small businesses, and exempting nationwide carriers from the freeze.
- ♦ The paging industry generates substantial revenues and employment opportunities in a range of related businesses, including equipment manufacturing, which will be negatively affected by the freeze. Orders for paging equipment and supplies, totaling many millions of dollars, have been put on hold or canceled as a result of the freeze.

The FCC Has Not Advanced Any Public Interest Reason for the Freeze

- ♦ There is no public interest reason to impose a freeze. The freeze does not advance the goals of the underlying rulemaking proceeding, in which the FCC proposes to transition the industry to geographic licensing and competitive bidding. Acceptance and processing of applications during the pendency of the rulemaking will not hinder the FCC from implementing geographic licensing or auctions in the paging industry.
- ♦ While the Commission does not clearly articulate its rationale for imposing a freeze, even if one assumes that the underlying objective was to preserve or create new "white space" that could be auctioned to incumbents or to new geographic licensees, the freeze does not further this objective. There is no evidence that white space exists or that, even assuming white space, the freeze will preserve that white space pending the rulemaking outcome. In reality, there is virtually no white space available in the paging service. Only 3.46 MHz of spectrum is allocated to this service and the spectrum is heavily used. Outside the major markets there may be white space available, but there is little demand for additional paging facilities in these areas.
- ♦ The fact that existing licensees may still be able to file for new sites outside their interference contours is no evidence of white space that could be auctioned to geographic licensees. In improving and expanding service to their customers, paging operators often seek new or modified facilities at sites that may be outside the licensee's interference contour but which would be unuseable by another carrier because of interference protection criteria (i.e., the need to protect other of the incumbent's sites.)
- ♦ Nor has the Commission cited a problem with speculative applications as justification for a freeze as it did with the SMR freeze; even if the Commission's goal were to prevent speculative applications, this could be accomplished by lifting the freeze as to incumbent licensees and through other tools at the Commission's disposal.



Executive Briefing

Glenayre

Technologies, Inc.

*The Negative Impact
of the FCC Freeze on
The Paging Industry*

Ray Ardizzone, President & CEO

Glenayre is a rapidly growing manufacturer

- ◆ Glenayre Company Profile
 - ◆ Started in 1969
 - ◆ Consolidated Glenayre, BBL and Quintron in 1989
 - ◆ Became U.S. Company in 1992 - NASDAQ (Gems)
 - ◆ 2,000 Employees
 - ◆ 1995 Sales Exceeding \$322 Million
 - ◆ 1995 U.S. Sales \$209 Million
 - ◆ Manufacturing & Development Facilities in Atlanta, GA, Quincy, IL; Belmont, CA and Vancouver, BC
 - ◆ Corporate Headquarters in Charlotte, NC

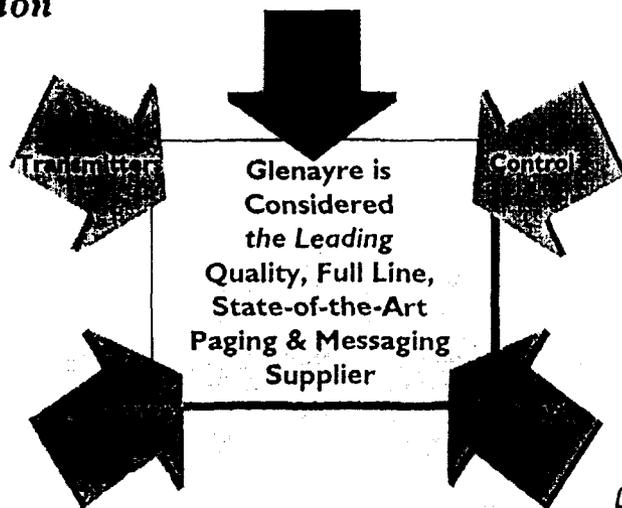
Glenayre
NASDAQ

...of a wide variety of wireless telecommunication infrastructure products

- ◆ Wide Area Paging Products
 - ◆ Paging Terminals
 - ◆ Paging Transmitters
 - ◆ Transmitter Control Systems
 - ◆ Linking Transmitters & Receivers
 - ◆ Satellite Products & Services
- ◆ Narrowband Personal Communication Systems
 - ◆ Terminals
 - ◆ Control
 - ◆ Linear Base Stations
 - ◆ Fixed Receivers
- ◆ Voice Messaging & Processing Systems
- ◆ Rural Radio Telephone Systems
- ◆ Analog & Digital Microwave Radio Products

Glenayre
NASDAQ

...providing a complete paging & messaging solution



Glenayre
NASDAQ

...to worldwide paging service providers.

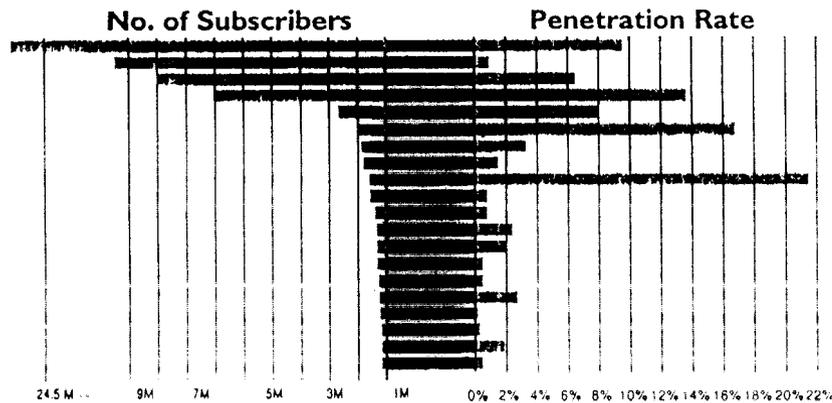
- ◆ U.S. Paging Customers

Nationals/ Internationals	Super Regionals	Regionals/ Locals
Pagenet	Arch Paging	Dial Page
MTel (Skytel)	Metrocall	Dial Call
Mobilemedia	Pronet	A+ Comm.
Page Mart	Source One Wireless	
Airtouch Comm.	Network Services	

Over 70% of Glenayre Sales are dependent upon wide area paging

Glenayre
NASDAQ

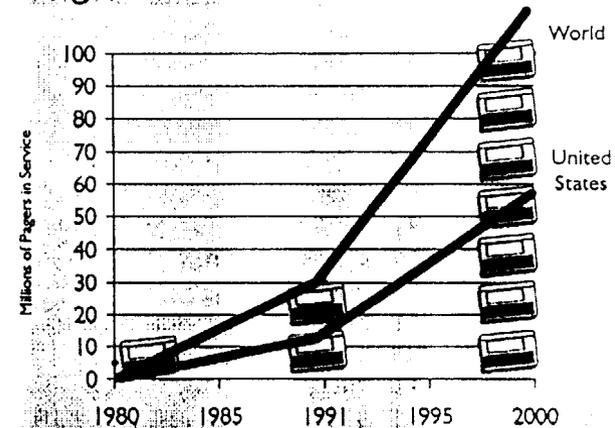
The U.S. is the world leader in paging subscribers



Source: RCR Publications, Inc. 1995

Glenayre

...and all forecasts show growth trends continuing.



Source: EMCI

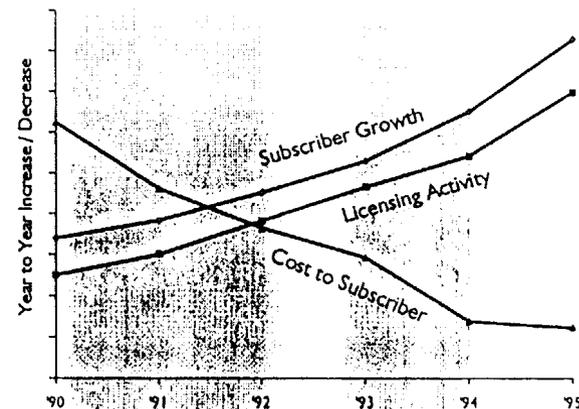
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Paging service provides subscribers many advantages

- ◆ Paging's Formula for Success
 - ◆ Low Cost
 - ◆ Small Size
 - ◆ Long Battery Life
 - ◆ Many Choices of Service Providers
 - ◆ Ease of Message Entry (PSTN)
 - ◆ Ubiquitous Delivery (Simulcast Networks)
 - ◆ Personalized Services
 - ◆ Simple to Use

Glenayre

...at ever decreasing costs,

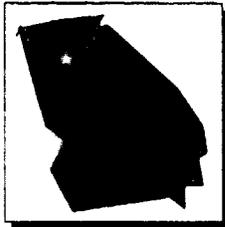


Glenayre

...but the FCC imposed a freeze on new paging licensing,

- ◆ Blindsided Industry
- ◆ Covers Unlicensed Paging Spectrum
 - ◆ 900 MHz
 - ◆ 150 MHz
 - ◆ ?
- ◆ Preserve Unlicensed "White Space" for Auctions
 - ◆ It is a Money Issue
- ◆ Reality is : "Not Much to Auction"
 - ◆ Only Small Segments Not Licensed
 - ◆ It is a Sale Not an Auction

If an operator owns all of: ●
Who but that operator
will bid on: ■



Glenayre
1998 11

...a freeze that impacts many organizations

- ◆ Caps Ability to Expand Networks
 - ◆ Over 500 Small to Medium Carriers Across the U.S.
 - ◆ Local and Regional Carriers Who Need Expansion Licensing to Compete
 - ◆ Non-winners in NPCS Auctions
 - ◆ One-way Paging Carriers in Need of Backchannels to Build Out Two-way Messaging Networks
- ◆ Manufacturers of Infrastructure and Pagers Will also Be Hard Hit
 - ◆ Loss of Revenue
 - ◆ Loss of Employment
 - ◆ Slow Down of R&D

Over 25,000 Jobs at Risk
at Over 500 Companies

Glenayre
1998 11

...with the biggest impact on paging subscribers

- ◆ Less Choice of Paging Service Providers
- ◆ Reduced Competition
- ◆ Higher Prices for Service
- ◆ No Further Construction of Tx Sites
- ◆ Reduced Number of Enhanced Services

Glenayre
1998 11

...leaving only one reasonable action by FCC.

◆ Lift Freeze Now

- ◆ Restores Competitive Marketplace
- ◆ Aggressive U.S. Industry Growth Will Continue
- ◆ Allows Service Providers to Resume Plans
- ◆ Honors Good Rules Already in Place
- ◆ Quickly Process All Applications Currently on File (As Promised)

1991 & 1993 Freezes Were Lifted to
"Avoid Economic Harm to Marketplace."
Same Reasoning Applies Here

Glenayre
1998 11

Ray Ardizzone, Executive Briefing
The Negative Impact of the FCC Freeze on The Paging Industry

Glenayre has already suffered due to the freeze,

- ◆ \$10-12 Million Shortfall in Net Sales 1Qtr'96
- ◆ Orders Held
- ◆ New Orders Delayed
- ◆ Customers Unsure of Regulatory Impact and are Re-evaluating Their Business Strategies
- ◆ Buildout for Exclusive-Use Licensees Compromised During the Transition to Geographic Licensing

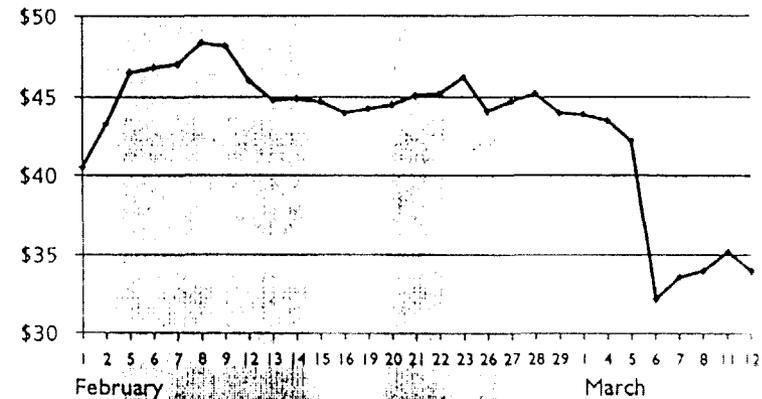
Glenayre
1996 Q1

There will be a continued negative effect on Glenayre

- ◆ Further Erosion of Market Cap
- ◆ Probable Layoffs
 - ◆ Could be 200 - 300 U.S. Wide
 - ◆ Perception of Decreased Job Security
- ◆ Slow Down of R&D Investment
 - ◆ Could also Effect Export Success
- ◆ Employee Share-Owners Morale Severely Affected
- ◆ Investment Community Now Questioning Stability of the Future

Glenayre
1996 Q1

...including a \$600 million market capitalization loss on March 6.



Glenayre
1996 Q1

...making it difficult to understand the wisdom of FCC's actions.

- ◆ Fastest Growing Wireless Industry in the U.S.
- ◆ FCC Hasn't Even Finished NPCA Auctions
- ◆ Current Rules Were Working Just Fine
- ◆ Market Driven Competition Was in Place
- ◆ Consumers Will Have Less Services / Higher Prices
- ◆ Tax Revenue Loss Will more than Offset Auction Fees
- ◆ Entire Industry Is Being Undermined by Freeze

***When So Many Industries Are Struggling,
Why Blindside One that Is So Robust***

Glenayre
1996 Q1

cc: Commercial Wireless Division
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