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

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Federal Communications Commission
Office of Secretary

In the Matter of	)
	)
Petition for Rulemaking	)
Regarding the Administration	)
and Disposition of Competitive	)
Bidding Installment Payment	)
Obligations	)

COMMENTS OF MAGNACOM WIRELESS, LLC

On June 2, 1997, the Federal Communications Commission's (Commission) Wireless Telecommunications Bureau (Bureau) issued a Public Notice relating to certain licensee proposals calling for alternative financing arrangements for broadband Personal Communications Services (PCS) C and F Block licenses. MCI, Fortunet Communications, Inc., Cook Inlet Region, Inc., and a consortium of broadband C Block PCS licensees all previously submitted proposals relating to current installment payment obligations. In its Public Notice, the Bureau seeks comment on these four proposals, as well as invites interested parties to submit additional proposals.

Magnacom Wireless, LLC, (Magnacom) generally concurs with the views espoused by the parties calling for reformation of the Commission's payment plans, and commends the Commission for opening a docket to evaluate proposed solutions. For its part, Magnacom respectfully urges the Commission to especially consider two alternative solutions.

As a first alternative, Magnacom generally endorses MCI's proposal that the Commission allow C Block licensees to defer principal and interest payments for the first five

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years of the license term. Magnacom, however, taking MCI's proposal a step further, proposes that the Commission not impose any interest charges during the initial five-year term. Such approach would balance the equities for the C Block licensees, who have been prejudiced by delay and second-tier status in the auction process.

That is, the A and B Block licensees not only enjoyed the "pole position" in going to auction ahead of the other channel blocks, they--along with the cellular incumbents--gained even greater competitive advantage owing to the cloud of uncertainty that now hovers over the C Block program. In adopting the MCI approach, the Commission will allow licensees to channel their resources into deploying infrastructure, acquiring market share, and generating a revenue stream, which, several years down the road, will evolve into a stable economic base for supporting installment payments to the Commission. In foregoing interest charges during MCI's proposed five-year grace period, the Commission will also facilitate its stated purpose to ensure that minority and small businesses have a fair shake in participating in the C Block program.

Finally, as a second alternative, Magnacom proposes a fee structure premised on the franchise concept. That is, rather than pay a license fee, the licensee would agree to pay a percentage of its revenues on a fixed-rate basis. Magnacom proposes that the Commission adopt a sliding scale of percentages based on the licensee's price per POP for a given trading area. Under such arrangement, a successful bidder obtaining a license at $10.00 per POP would pay the federal government a 1% franchise fee on gross revenues. At $20.00 per POP, the percentage would increase to 2%, and so on, up to a maximum percentage of 10%, regardless of the amount bid at over $100.00 a POP.

This arrangement provides for a stream of payments that may be significantly greater than the license price. It also permits built-in payment protection for the government, as the licensee's bank could collect the funds through an accounts receivable lock box. The bank would then submit the franchise payments directly to the government. And, with the licensee making payments through the duration of the franchise, the stream of payments do not end once the licensee satisfies the bid price.

Magnacom has visited with numerous investment banking firms,--including DLJ, Toronto Dominion, Bear Stearns, Canadian Imperial Bank, and Morgan Stanley--and all agree that C Block licensees must have a change in payment structure if they are to have any chance of catching up and making their businesses successful. Since the Commission intended the C and F Block for minority and small businesses to enter the market, the franchise concept constitutes such a change--as well as a win-win for equity. In those trading areas where the C or F Block licensee can overcome the incumbents' inherent first-to-market advantages and achieve a significant market share, or somehow establish a first-to-market network in neglected markets, the government will, in the long-term, receive revenues that surpass the bid price. However, where the C or F Block licensee finds itself up against market forces that will, under the best of circumstances, only permit marginal profits, the minority or small business will not suffer the risk of having overpaid for its license. In essence, this approach not only allows the market to

gauge the true value of the of the C or F Block license, it also serves equity and the public interest for both the government and licensee.

DATED at Vancouver, Washington, this 23rd day of June, 1997.

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