

addition to those changes in its initial comments to this Public Notice and elsewhere,^{59/} NextWave urges adoption of two specific proposals:

A. Subordination of C Block Debt

NextWave agrees with those commenters who believe that subordination of all or a portion of the government's debt is an important component of any deferral plan the FCC adopts to restructure C Block debt.^{60/} As stated by BIA Capital:

A rational capital structure for PCS, as with any capital-intensive industry, requires not only substantial equity investment but also relatively affordable debt to finance equipment acquisition as well as related network 'soft costs' which include RF engineering and design, site identification and acquisition, etc. Attracting debt for start-up companies, even if from vendors, is a challenge in itself. However, if this equipment debt is junior in payment to the government entity which regulates the company, **the increased risk of payment makes this type of capital even more difficult and expensive to obtain** (emphasis in original).^{61/}

Commenters propose the subordination of all government debt with most specifying that it be subordinated only to vendor and working capital financing. In particular, Chase Telecommunications

^{59/} In addition to specific comments *infra*, NextWave supports the FCC adopting a less complex C and F Block control group structure, granting C and F Block licensees WTO relief, and reducing the interest rate paid on government debt to 6.5% for all C block licensees.

^{60/} See, e.g., Comments of Alpine, at 10; Comments of BIA Capital, at 4; Comments of Chase at 9; and Comments of Southeast Telephone Ltd., a 8.

^{61/} Comments of BIA Capital at 4.

mentions the paradoxical result that, by enshrining the seniority of the government debt in the C Block notes, "a provision designed to enhance the value of C Block debt to the U.S. Treasury has in practice served to diminish its value."^{62/} NextWave believes that the Commission should seriously consider subordinating its debt in order to enable licensees to raise the priority debt needed to rapidly deploy C Block networks nationwide.^{63/}

B. The FCC Should Permit Some Disaggregation and Partitioning Without Debt Transfer

NextWave also supports Horizon Communications' proposal that the FCC should permit transfer of up to one-third of a BTA's MHz-pops to another qualified entity without transfer of a pro-rata share of the debt.^{64/} As currently formulated, the portion of the partitioning and disaggregation rules that require the pro-rata distribution of debt particularly disadvantage rural telcos in that a BTA's more rural areas are generally not as valuable as its urban areas on a per-pop basis. Changing these rules would be in the public interest in that it would encourage more rapid build out of rural markets, and would help the FCC meet its statutory obligations to rural telephone companies.^{65/}

^{62/} Comments of Chase, at 9.

^{63/} See, Comments of Alpine, at 10; Comments of BIA Capital, at 4; Comments of Chase, at 9; and Comments of Southeast, at 8.

^{64/} Comments of Horizon at 5-6.

^{65/} Omnibus Budget Reconciliation Act of 1993, Public Law No. 103-66, 107 Stat. 323 (Aug. 10, 1993); 47 U.S.C. §309(j)(4)(C)(ii).

VII. CONCLUSION

This proceeding presents the Commission with the opportunity to expedite facilities based competition, offering American consumers new affordably priced wireless services. We respectfully request that the issues raised be resolved expeditiously.

Respectfully submitted,

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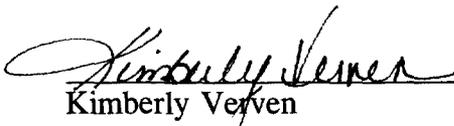
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CERTIFICATE OF SERVICE

I, Kimberly Verven hereby certify that I, on this 8th day of July, 1997, have had hand-delivered, a copy of the foregoing REPLY COMMENTS OF NEXTWAVE TELECOM INC. filed today to the following:

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