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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

In the Matter of	)	
	)	
Amendment of the Commission's Rules to Establish New Personal Communications Services, Narrowband PCS	)	GEN Docket No. 90-314 ET Docket No. 92-100
	)	
Implementation of Section 309(j) of the Communications Act - Competitive Bidding, Narrowband PCS	)	PP Docket No. 93-253

To: The Commission

REPLY COMMENTS OF PREFERRED NETWORKS, INC.

Preferred Networks, Inc. ("PNI" or "Company"), in accordance with Section 1.415 of the Federal Communications Commission ("FCC" or "Commission") Rules and Regulations, respectfully submits its Reply Comments in the above-entitled proceeding.[1] In the Further Notice, the FCC seeks comment on various proposals regarding the licensing and auctioning of narrowband Personal Communications Services ("NPCS").

I. INTRODUCTION

1. PNI, a Delaware corporation, is a paging company with headquarters in Norcross, Georgia. PNI operates as a carrier's carrier of exclusively wholesale, one-way paging network services. Its carrier/customers purchase and resell the Company's network services to their own subscribers. PNI's customers include four of the five largest paging service providers in the

[1] 47 C.F.R. § 1.415; Report and Order and Further Notice of Proposed Rule Making, GEN Doc. No. 90-314, ET Docket No. 92-100, PP Docket No. 92-253, 62 FR 27507 (1997) ("Further Notice").

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country, and the network serves in excess of 400,000 subscribers. The majority of the Company's network operates on shared Private Carrier Paging ("PCP") frequency 157.740 MHz with service in 48 of the 50 largest United States metropolitan areas. Additionally, PNI operates on Common Carrier Paging ("CCP") frequencies 152.600, 158.10 MHz, 152.84 MHz, 931.2625 MHz and 931.3125 MHz, as well as PCP frequencies 462.750 MHz and 462.825 MHz. Because the issues raised in the Further Notice could have a profound and direct impact on the competitive environment in which the Company operates, it has a significant interest in the outcome of this proceeding.

II. ANY CHANGES IN THE NPCS RULES SHOULD BE CONSISTENT WITH THE DEVELOPMENT OF A FULLY COMPETITIVE NARROWBAND CMRS ENVIRONMENT AND RESPONSIVE TO CONSUMER DEMAND.

2. NPCS is a relatively new, but highly promising, entrant into the broader Commercial Mobile Radio Service ("CMRS") marketplace. The Commission already has conducted two NPCS auctions which have attracted participation by both experienced paging incumbents and new entrants, including a number of small businesses. These auctions have been successful both in assigning spectrum quickly to those that value it highly and in providing meaningful opportunities for small and start-up businesses. Thus, they have satisfied critical statutory and regulatory objectives.

3. Nonetheless, the Company endorses the FCC's decision to revisit certain of its NPCS licensing and auction rules in light of the experience gained already in the authorization and operation of NPCS and competitive CMRS systems. It is appropriate now to reconsider whether certain of the decisions made initially should be retained, revised or rejected.

4. In general, the Comments on the Further Notice support the overall NPCS licensing

approach already in place, with the modifications proposed in the Further Notice. Although not all parties support every FCC recommendation, it is apparent that there is a strong consensus on certain key issues.

5. First, the record clearly evidences an endorsement of the FCC's proposed reallocation of the current channel blocks to create larger service areas.[2] The majority of commenters agree that Basic Trading Areas ("BTAs") are inefficiently small, and typically recommend the use of some combination of Major Trading Area ("MTA"), regional and/or nationwide authorizations.

6. PNI is specifically familiar with the substantial difficulties faced by operators, including small, start-up businesses, that must aggregate smaller FCC-defined market areas to develop a paging system of the scope needed to compete in the increasingly competitive CMRS environment. The Company has spent several years securing the necessary geographic coverage on its 157.740 MHz network, and still is in the process of doing so, a task made formidable because of the traditional PCP site-specific licensing approach. It would not be anxious to repeat this effort on NPCS spectrum.

7. Therefore, with one exception, PNI supports the FCC's proposal to abandon NPCS BTA licensing in favor of the allocation set out in the Further Notice.[3] In conjunction with the partitioning and disaggregation rules proposed herein, and assuming the FCC elects not to modify

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[2] See, e.g., Comments of the Personal Communications Industry Association ("PCIA"), PageMart, Inc. ("PageMart"), Benbow PCS Ventures, Inc. ("Benbow"), AirTouch Paging ("AirTouch"), Metrocall, Inc. ("Metrocall") and Arch Communications Group, Inc. ("Arch").

[3] Further Notice at ¶ 31.

its spectrum aggregation limits, as it should not in the Company's opinion, the menu of options should suit the appetites of virtually all legitimate applicants. However, PNI does support Arch's suggestion that one of the two remaining 50 kHz paired channels be allocated for regional, rather than nationwide, use to provide the maximum possible range of viable NPCS license options.

8. Further, the Company concurs with those parties that have opposed the FCC's proposal to allow paging response channels to be used for purposes other than mobile-to-base communications.[4] PNI believes that the utility, and thus the value, of paired channels, including those yet to be auctioned, will be significantly diminished if the FCC adopts its proposal. The interference potential of such a change is compelling, particularly in light of the market reality that an increasing number of wireless systems are likely to be required to co-locate on a limited number of sites. Neither the industry, nor subscribers, nor the competitive marketplace will benefit from a rule change that could sacrifice the bedrock need for an acceptable grade of service for a theoretically larger number of service providers in an area.

9. PNI supports retention of the existing restrictions on eligibility for those channels for the same reason. Incumbent paging operators with an existing investment in facilities and a subscriber base anxious to sample more advanced technologies are the most likely, immediate, viable competitors to NPCS licensees. Many are willing and eager to implement upgraded systems that require the assignment of a response channel as soon as they are able to do so. By contrast, the FCC's proposal, at best, is more likely to facilitate the introduction of additional one-way paging providers into that already highly competitive marketplace, but at the expense of

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[4] See, e.g., Comments of Paging Network, Inc. ("PageNet"), Arch, PCIA and Ameritech Mobile Services, Inc. ("Ameritech").

enhancing competition in the response paging arena.[5] PNI does not believe that such a result is consistent with the FCC's efforts to promote alternative service offerings in markets dominated by a small number of operators.

10. Further, because of the interrelationship of the remaining allocated NPCS channels and paging response channels, the Company strongly encourages the FCC to conduct a single auction for all such channels. Doing so will enable entities interesting in securing a paired authorization to explore all such opportunities, while those interested in one-way capacity only will be free to pursue that strategy. The Commission's proposal to conduct separate auctions is contrary to its decisions in other services with high interdependency among auctioned frequencies and would constitute an unnecessary drain on both the FCC's and the industry's resources.

11. The Further Notice also seeks comment on the appropriate attribution rules for NPCS entities applying for small business status.[6] As the Commission is well aware, in the process of developing auction rules on a service-specific basis the agency also has adopted a variety of different attribution rules. The Company applauds the FCC's recent effort to create a single set of "service-friendly" competitive bidding rules that will be useable for most of its auctions, with individual provisions added on an as-needed basis only.[7] Consistent with that approach, PNI recommends that the FCC adopt for NPCS the same attribution provisions that

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[5] See, Further Notice at ¶ 40.

[6] Further Notice at ¶¶ 70-72.

[7] Order, Memorandum Opinion and Order and Notice of Proposed Rule Making, WT Docket No. 97-82, FCC 97-60, 12 FCC Rcd ___ (rel. Feb. 28, 1997).

have been adopted for broadband PCS.[8] Those rules balance the need to preserve small business opportunities for entities that truly qualify as such with the practical needs to be able to understand the FCC's requirements and then to be able to attract financing based on those provisions.

12. PNI also supports those entities that have recommended adoption of specific construction/coverage requirements for NPCS systems.[9] Legitimate entities with a substantial investment in the acquisition of spectrum and infrastructure should not need to be prodded to build out their facilities. However, to the extent problems arise and operators delay in implementing their systems, it may prove difficult, perhaps impossible, for the FCC to take appropriate prophylactic measures based on an amorphous "substantial service" test. Defining baseline requirements for system construction requirements in advance will better ensure future compliance.

13. Finally, the Company notes that there is no record support for the channelization and release of the reserve spectrum at this point.[10] That FCC proposal is opposed not only by incumbent operators[11], but by equipment suppliers such as Motorola, Inc. that might be expected to support the possibility of additional service providers, and Morgan Stanley Partners, an entity that likely would be targeted as a likely source of financing. Recent events involving both broadband PCS and WCS auctions have confirmed that the Commission must be judicious in

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[8] See, 47 C.F.R. § 20.6(d).

[9] See, e.g, Comments of Arch and PageNet.

[10] Further Notice at ¶ 34.

[11] See, e.g., Comments of PCIA, PageMart, Benbow, Arch, PageNet, AirTouch, Ameritech, and Metrocall.

determining when and under what conditions additional CMRS spectrum should be made available.[12] There is no evidence in the record to indicate that the reserve spectrum in this band should be channelized and assigned at this time.

III. CONCLUSION

For the reasons detailed above, PNI requests that the FCC adopt rules in this proceeding consistent with the recommendations herein.

Respectfully submitted,

PREFERRED NETWORKS, INC.

By: _____
Eugene H. Kreeft

July 21, 1997

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[12] Public Notice, "Agenda for Public Forum Regarding Broadband PCS C and F Block Installment Payment Issues", WT Docket No. 97-82, DA 97-1356, 12 FCC Rcd ___ (June 27, 1997); "Congress to Include Rules in Budget Bills to Protect Against Future Spectrum Auction Embarrassments", PCS Week, Vol. 8, No. 25 at 1 (June 18, 1997); "The Great Spectrum Auction Debate - House Committee OKs More Auction Authority", RCR, Vol. 16, No. 24 at 1, 42 (June 16, 1997); "WCS Auction Ends After 29 Rounds with Revenues Only a Fraction of Congressional Expectations", PCS Week, Vol. 8, No. 18 at 1 (Apr. 30, 1997); Order, DA 97-649, 12 FCC Rcd ___ (Rel. Mar. 31, 1997) (indefinite suspension of installment payments for C block broadband PCS licensees).

CERTIFICATE OF SERVICE

I, Catherine Hartley, a secretary in the office of Preferred Networks, Inc., hereby certify that I have, on this July 21, 1997, caused to be mailed, first-class, postage prepaid, a copy of the foregoing Reply Comments to the following:

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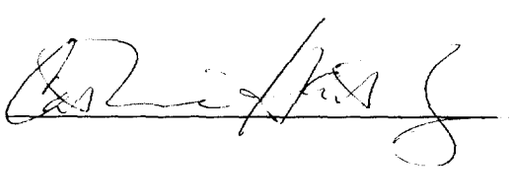
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