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September 2, 1997

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

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: WT Docket No. 97-82 Part 1 Wireless Rules

Dear Mr. Caton:

Based on recent press reports and our continuing contacts with other interested parties, MCI understands that there is an effort underway to achieve a compromise solution with respect to C-Block financing. As stated in our letter of August 14, MCI believes that offering C-Block licensees a choice between an "expedited reaaction" option and a "disaggregation" option could go a long way toward avoiding potentially lengthy litigation and, at the same time, result in returned spectrum being quickly reaactioned and put into productive use.

We understand that one alternative currently being considered would allow C-Block licensees to retain all 30 MHz of their spectrum, while deferring all payments for three years. Such a plan could result in some C-Block licensees effectively warehousing all 30 MHz of spectrum; there would be no assurance that, during this deferral period, the systems would be financed and built, or that service would be provided to the public. This could further postpone the attainment of one of the primary objectives of the C-Block rules: that entrepreneurs would bring needed competition to the wireless market. Even were conditions imposed to assure that licensees were moving forward on financing and build-out, some licensees may take advantage of an interest deferral to "buy time" despite the fact that financial analysts and industry experts agree that their companies are simply not viable or financeable. Most if not all financial experts agree that a three-year deferral alone is clearly insufficient to alter this fact.

One of the key reasons we supported the proposals developed by the Commission's C-Block Task Force was that both of the principal options would result in the return, and prompt reaaction, of currently unused spectrum. Should the Commission decide to offer to existing licensees a further deferral of payment obligations, that deferral should come at a price that will assure that at least some of this spectrum is developed and reaches the marketplace. Specifically, any deferral should be conditioned on return of half of the 30 MHz for prompt reaaction, and the licensee receiving the payment deferral should be subject to accelerated buildout obligations which the Commission should strictly enforce. In this way, the Commission will avoid the likely spectrum warehousing that will occur by non-viable, non-financeable companies who may be given a free ride, through interest deferral, to hold but not develop spectrum. At least

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under this option, some of this spectrum will be reauctioned, without installment payments, to qualified entrepreneurs with the resources to develop spectrum and provide consumers more wireless options. A "new rationality" to spectrum prices will help assure long-term viability of the next wave of bidders.

Please add this letter and the enclosed copy to the record of this proceeding. Should there be any questions concerning this letter, feel free to contact me at (202) 887-2727 or Leonard Sawicki at (202) 887-2048.

Sincerely,


Larry A. Blosser

cc: Chairman Hundt
Commissioner Quello
Commissioner Ness
Commissioner Chong
Mr. Jon Garcia
Peter Tenhula, Esq.