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May 15, 2000

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
TW-A325
445 12th Street, S.W.
Washington, D.C. 20554

Re: The 4.9 GHz Band Transferred from Federal Government Use

Dear Ms. Salas:

Please find enclosed for filing in the above-captioned proceeding the original and nine copies of the reply comments of Rock Hill Telephone Company, Fort Mill Telephone Company, Lancaster Telephone Company, and Heath Springs Telephone Company.

Please stamp the additional copy enclosed for this purpose and return it in the self-addressed, stamped envelope provided.

Thank you for your assistance in this matter.

Sincerely,

E.L. Barnes
Executive Vice President

No. of Copies rec'd 0+9
List ABCDE

330 East Black Street • P.O. Box 470 • Rock Hill, South Carolina 29731

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20544

In the Matter of	)	
	)	
The 4.9 GHz Band Transferred from Federal Government Use	)	WT Docket No. 00-32
	)	

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Reply Comments of
Rock Hill Telephone Company,
Fort Mill Telephone Company, Lancaster Telephone Company,
and Heath Springs Telephone Company

Rock Hill Telephone Company, Fort Mill Telephone Company, Lancaster Telephone Company, and Heath Springs Telephone Company (collectively "Rock Hill") hereby submit these reply comments in support of the comments filed by the Rural Telecommunications Group (RTG) and the U.S. Small Business Administration in the above captioned matter.[1] Rock Hill also addresses certain comments filed by Global Frontiers, Inc.

The Rock Hill companies are incumbent local exchange carriers ("ILECs") that provide telephone service to approximately 100,000 access lines in portions of York, Lancaster, Chester, and Kershaw counties in the South Carolina piedmont region. Although the Rock Hill companies do not

[1] In the Matter of 4.9 GHz Band Transferred from Federal Government Use, Notice of Proposes Rulemaking, WT Docket No. 00-32, released February 29, 2000 (NPRM)

currently provide fixed wireless services to their subscribers, they plan to pursue the acquisition of spectrum for a variety of possible uses in the near future. The 4.9 GHz band is appealing to the Rock Hill companies and a large group of other telecommunications entities of varying sizes and resources.

Small and midsize telephone companies are committed to their communities. Virtually all owners, managers, and employees live in the areas they serve and participate in the economy of those areas. In order to allow small companies such as Rock Hill the opportunity to effectively bid, geographic license areas should be as small as administratively possible. As stated by the Rural Telecommunications Group, "Although there are numerous policy decisions which will affect whether or not licensees deploy service to rural areas and whether or not rural telephone companies have a realistic opportunity to participate in the 4.9 GHz service, no decision is more critical than the size of the geographic area on which the service will be licensed and auctioned."[2] Small and mid-sized ILECs as well as other small businesses face significant and possibly insurmountable hurdles in trying to secure capital to purchase or realistically bid on spectrum licenses of Economic Area size or larger.

[2] Comments of the Rural Telecommunication Group, page 5.

The relevant Economic Area (EA) for the Rock Hill companies is the Charlotte EA. This EA covers over 1.6 million people in North and South Carolina. The area encompasses Chester, Chesterfield, Lancaster, Marlboro, and York Counties in S.C. as well as Anson, Cabarrus, Cleveland, Gaston, Iredell, Lincoln, Mecklenburg, Rowan, Rutherford, Stanly, and Union Counties in N.C. South Carolina towns included are Bennettsville, Cheraw, Chester, Clover, Heath Springs, Lake Wylie, Lancaster, Rock Hill, and York. Charlotte, Pineville, Matthews, Mint Hill, Albemarle, Concord, Gastonia, Lincolnton, Monroe, Rutherfordton, Salisbury, Shelby, Statesville, and Wadesboro are towns included in this EA in North Carolina.

The use of Metropolitan Statistical Areas (MSAs) and Rural Service Areas (RSAs) for license areas, as recommended by the Rural Telecommunications Group and the U.S. Small Business Administration, provide several advantages over Economic Area licenses to the small resource bidders and potentially increase the funds generated by the auction. The U.S. Small Business Administration states "Organizing the licenses by EAs, which include both rural and urban areas, would cause the relatively high value of urban areas to influence bidding levels for relatively less valuable rural areas. Bidding levels might simply become too high for small businesses, despite the use of bidding credits."[3]

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[3] Comments of the Office of Advocacy, U.S. Small Business Administration, page 2.

Large companies will have more to gain by concentrating on high-density metropolitan areas as opposed to low-density rural areas. Smaller companies are generally situated closer to rural and less urban areas and would most likely target the customers in those areas first. Customers would be best served if they were the prime target of a company's deployment plan, rather than being a firm's secondary market. If MSAs and RSAs were chosen to set license area sizes, auction participants would be able to bid on the specific area they wish to serve. The potential number of bidders would increase and thus increase demand for licenses.

Competition would also be enhanced if spectrum block limits were established which promote the allocation of spectrum to multiple (or at least two) independent companies. If one company controlled the total 50MHz of spectrum in an area, a smaller company wishing to lease a partition would only have one source company to negotiate with. The company holding the spectrum would have less incentive to partition an area if it controlled the entire available band. The spectrum owner could also demand a premium for the partitioned area.

Global Frontiers comments recommend that the 4.9 GHz band have no spectrum block limits.[4] Allowing one company to purchase the entire block would limit participation in the auction, especially by small businesses and small and mid-size incumbent local exchange carriers. Five licenses with 10 MHz

[4] Comments of Global Frontiers, Inc., page 15.

would encourage maximum participation. Each 10 MHz band could be broken into spectrum blocks separated in frequency. (For example: Licensee "A" would have 4940 to 4945 and 4965 to 4970.) One 5 MHz block could be used for upstream with the other 5 MHz block used for downstream. The frequency separations would help mitigate receiver interference. Using 64QAM, 5 MHz would allow an aggregate data rate of up to 22 MBPS on each transmit and receive side. This is enough throughput to enable many connection-oriented and connection-less services.

Each license should optimally be auctioned to a different carrier with the possibility of one company being able to hold up to two 10 MHz licenses. Allowing larger frequency blocks would make it beyond the ability of a small company to viably compete in an auction.

In the Notice of Proposed Rulemaking (NPRM), the FCC tentatively concludes that it is not necessary to impose eligibility restrictions on incumbent local exchange carriers.[5] The Rock Hill companies, in agreement with RTG, strongly support this conclusion. Open eligibility will foster competition. In addition, open eligibility will help promote the deployment of service to rural areas by broadening the number of potential providers.[6]

The Rock Hill companies support the comments of the Rural Telecommunications Group regarding "substantial service

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[5] See NPRM at paragraph 34.
[6] Comments of the Rural Telecommunications Group, page 12.

requirements." In the 700 MHz First Report and Order,[7] the FCC indicated that in order to meet its "substantial service" mandate, a licensee must deploy service to rural areas as well as to more densely populated urban areas and suburban areas.[8] As noted by RTG, the FCC should also specify that 4.9 GHz licensees must deploy services to rural areas in order for their service to constitute "substantial service."[9] The use of MSAs and RSAs for geographical license areas would lessen the impact of service requirements on all providers. Companies primarily interested in urban and suburban markets would have the opportunity of bidding on MSA-based license areas, without assuming service requirements to rural areas which would be a part of an EA-base license. Small businesses, small rural telephone companies, and mid-size telephone companies would then have a reasonable opportunity to obtain an RSA-based license. A company wishing to provide service to a larger area would still be free to bid on both MSAs and RSAs. No companies would be precluded from bidding on any license.

Bidding credits could be a significant factor for small businesses, small rural telephone companies and mid-size telephone companies. As recommended by RTG, the Commission should increase the level of bidding credits to rural

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[7] In the Matter of Service Rules for the 746-764 and 776-794 MHz Bands and Revisions to Part 27 of the Commission's Rules, First Report and Order, WT Docket No. 99-168, rel. January 7, 2000. (First Report and Order)

[8] First Report and Order, paragraph 71.

[9] Comments of the Rural Telecommunications Group, page 12.

telephone companies due to the high costs they incur to provide service. Rural areas are, in general, more costly to serve than metropolitan areas. Customers are more widely dispersed necessitating higher investments per customer than urban and suburban areas. Small and mid-size LECs need to be measured for bidding credits qualification based on something other than gross revenues, as the RTG suggests.[10]

Respectfully submitted,

Rock Hill Telephone Company
Fort Mill Telephone Company
Lancaster Telephone Company

By: _____

E.L. Barnes
Executive Vice President

Heath Springs Telephone Company

By: _____

E.L. Barnes
Secretary

May 15, 2000

[10] Comments of the Rural Telecommunications Group, page 18.

CERTIFICATE OF SERVICE

I, Fleta L. Crocker, hereby certify that a copy of the reply comments of Rock Hill Telephone Company, Fort Mill Telephone Company, Lancaster Telephone Company, and Heath Springs Telephone Company was sent on this, the 15th day of May, 2000, by Federal Express mail, postage pre-paid, to those listed below.

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