

RURAL TELECOMMUNICATIONS GROUP

advocate of rural wireless telecommunications providers

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Washington, DC 20005

MEMORANDUM

To: Magalie Roman Salas, Secretary
Federal Communications Commission

From: Gregory W. Whiteaker, Counsel

Date: July 18, 2000

Re: *Ex Parte* Presentation – July 17, 2000

***In re* Amendments to Parts 1, 2, and 101 of the Commission's Rules to License
Fixed Services at 24 GHz
WT Docket No. 99-327**

On July 17, 2000, Gregory W. Whiteaker and Kenneth C. Johnson of Bennet & Bennet, PLLC, representing the Rural Telecommunications Group (RTG), participated in a meeting with Peter Tenhula, Legal Advisor to Commissioner Harold Michael Powell of the Federal Communications Commission (FCC) and Zach Stewart, Intern, concerning the size of the geographic areas on which the 24 GHz spectrum will be auctioned and other related matters.

RTG emphasized its position originally raised in RTG's comments in this proceeding that rural areas will not see the benefits of the 24 GHz service absent small license areas that rural telecommunications providers are able to acquire. RTG pointed out that large carriers do not include rural areas as part of their business plans due to the low rate-of-return inherent to sparsely populated rural regions. As a result, when the Commission licenses spectrum on the basis of large areas such as Economic Areas (EAs), rural areas of the EAs are held hostage as the spectrum winner concentrates its investment and buildout in the more lucrative urban and suburban areas. In other words, large license areas result in market failure in rural areas. Accordingly, RTG encouraged the Commission to license a portion of the 24 GHz spectrum on the basis of small geographic service areas such as Metropolitan Statistical Areas (MSAs) and Rural Service Areas (RSAs).

As a compromise, the Commission could license two licenses in the 24 GHz spectrum on an EA-basis with three licenses available on an MSA/RSA-basis. Such a compromise would balance the large entities' desire for nationwide coverage and the mandate of Section 309(j) of the Communications Act of 1934, as amended, that the FCC ensure the delivery of spectrum-based services to rural areas. Section 309(j) requires the Commission to promote "the development and rapid deployment of new

technologies, products, and services for the benefit of the public, *including those residing in rural areas...*¹ Smaller geographic license areas will promote the development of 24 GHz services in rural areas.

RTG realizes that the Commission might be hesitant to mix EAs with MSAs and RSAs, however, such a licensing scheme would separate metropolitan and rural markets, allowing carriers with an interest in serving rural areas to bid on spectrum that would otherwise lay fallow if bundled with urban areas. In fact, a carrier seeking virtual nationwide coverage could actually save money by concentrating on MSAs for part of its network. Carriers will not need the same spectrum capacity in less densely populated rural areas.

RTG also noted that if the FCC's combinatorial or "package" bidding is a success, then the FCC should license spectrum for future auctions at the smallest administratively feasible geographic size since the FCC can form larger packages such as EAs for carriers that desire larger license areas. In order to reduce auction complexity, the FCC could always allow bidders the option of bidding on 175 EA packages.

If you have any questions regarding this filing, contact me at (202) 371-1500.

Sincerely,

/s/

Gregory W. Whiteaker
Counsel, Rural Telecommunications Group

Cc: Peter Tenhula

¹ 47 U.S.C. § 309(j)(3)(A) (emphasis added).