LAW OFFICES
BLOOSTON, MORDKOFSKY, DICKENS, DUFFY & PRENDERGAST
2120 L STREET, NW
WASHINGTON, DC 20037

(202) 659-0830
FACSIMILE: (202) 828-5568

HAROLD MORDKOFSKY
BENJAMIN H. DICKENS, JR.
JOHN A. PRENDERGAST
GERARD J. DUFFY
RICHARD D. RUBINO
MARY J. SISAK
D. CARY MITCHELL
KATHLEEN A. KAERCHER
MICHAEL B. ADAMS, JR.
DOUGLAS W. EVERETTE

ARTHUR BLOOSTON
1914 – 1999

AFFILIATED SOUTH AMERICAN OFFICES
ESTUDIO JAUREGUI & ASSOCIATES
BUENOS AIRES, ARGENTINA

ROBERT M. JACKSON
OF COUNSEL

PERRY W. WOOFTER
LEGISLATIVE CONSULTANT

EUGENE MALISZEWSKYJ
DIRECTOR OF ENGINEERING
PRIVATE RADIO

SEAN A. AUSTIN
CONSULTING ENGINEER
COMMERCIAL RADIO

WRITER'S CONTACT INFORMATION
202-828-5538
cma@bmjd.com

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May 14, 2001

Ms. Magalie Roman Salas, Secretary
Office of the Secretary
Federal Communications Commission
445 12th Street, SW, Room TW-A325
Washington, DC 20554

Attn: Lisa Gaisford – Room 7-C115
G. William Stafford – Room 4-B455

Re: Comments of Valley Telecommunications Cooperative, Inc.

In the Matter of Reallocation and Service Rules for the 698-746 MHz Spectrum Band, GN Docket No. 01-74

Dear Ms. Salas:

Attached below are the initial comments of Valley Telecommunications Cooperative, Inc. ("Valley") in the above captioned proceeding.

Please contact the undersigned counsel should there be any questions.

Very truly yours,

John A. Prendergast
D. Cary Mitchell
Counsel to Valley Telecommunications Cooperative, Inc.

cc: International Transcription Service

VALLEY
- TELECOMMUNICATIONS
- LONG DISTANCE
- CABLE & SATELLITE COMMUNICATIONS, INC.
- INTERNET

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Re: Comments of Valley Telecommunications Cooperative

In the Matter of Reallocation and Service Rules for the 698-746 MHz Spectrum Band, GN Docket No. 01-74

Dear Ms. Salas:

Thank you for this opportunity to provide our viewpoint on an issue that will determine whether rural telephone companies and cooperatives will play a meaningful role in providing advanced telecommunications services to all Americans as quickly as possible.

Valley Telecommunications Cooperative is an independent rural telephone Cooperative that serves 3700 Access Lines in South Dakota, including the rural communities of Herreid, Pollock, Glenham, Mound City, Eureka, Leola, Long Lake, Hosmer and Ipswich. We have a demonstrated history of providing our customers with access to advanced telecommunications services, and we have joined together with thirty-five (35) other South Dakota carriers to provide centralized equal access through South Dakota Network, also known as SDN Communications.[1]

[1] SDN and its owners have built a 100% fiber optic network that encompasses more than 5,000 miles within South Dakota. SDN's network connects more than 200 markets with over 160,000 access lines, utilizing the advanced capabilities of Signaling System 7 (SS7). The network is fully protected through SDN's utilization of Synchronous Optical Network (SONET) technology which intersects all major South Dakota markets (Rapid City, Sioux Falls, Aberdeen, Watertown, Huron, Pierre, Mitchell, and Brookings). SDN's network is interconnected to six regional fiber optic network providers creating a 19-state regional fiber network.

P.O. Box 7 ■ 102 South Main ■ Herreid, SD 57632 ■ 1-605-437-2615 ■ Fax: 1-605-437-2220

We strongly urge the FCC to accommodate the needs of small and rural carriers in the allocation of spectrum in the Lower 700 MHz Band (698-746 MHz) so that these entities might have a realistic opportunity to bid on and obtain the spectrum that will be necessary for the delivery of third generation (or "3G") wireless services. In this regard, the FCC has requested comment on the size of the geographic areas and on the size of the spectrum blocks it should license and service rules that will govern the Lower 700 MHz Band.

We believe the Commission should allocate at least one Lower 700 MHz spectrum block over small licensing areas – in particular, Rural Service Area ("RSA") licenses – because these license areas are small enough for small carriers to realistically bid on and obtain in an FCC auction. The favorable propagation characteristics of the Lower 700 MHz Band make this spectrum ideal for serving remote and rural areas, where a substantial portion of the nation's population lives and works.

Moreover, geographic partitioning of licenses has not been a workable option. Review of the Commission's licensing records has shown that very few partition agreements have been reached and implemented. Currently, large PCS and cellular licensees have little incentive to discuss partitioning a rural area to us. Rural PCS build-out has been focused predominately along interstate highways and other heavily traveled corridors between urban areas and, consequently, primarily upon roamers rather than rural residents.

We also believe that the use of RSA-sized licenses will ensure that Lower 700 MHz Band wireless facilities will actually be constructed and operated in rural areas, rather than concentrated in urban and suburban areas like MTA and BTA licenses (where urban coverage is usually enough to meet the build out requirement). RSA licenses are of an appropriate size, such that they can be more readily acquired, constructed and operated by rural telcos, small businesses, and consortia thereof. RSA licenses will ensure that rural areas will be acquired by the entities that place the highest value upon serving them, rather than largely unwanted and unserved outlying areas of MTA and BTA licenses.

Rural telephone companies and cooperatives have a long and proven record of high quality service that has been responsive to the needs of rural customers. The Lower 700 MHz Band provides the FCC with an excellent opportunity to provide economic opportunity for rural telephone companies, as well as to determine whether RSA licenses constitute an effective means to bring broadband and other wireless services to rural areas at an early date without significantly harming or disrupting the auction program.

Respectfully submitted,

Dianna J. Quaschnick
General Manager
Valley Telecommunications Cooperative
PO Box 7
Herreid, South Dakota 57632