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

In the Matter of
Amendment of Parts 21 and 74 of the
Commission’s Rules With Regard to MM Docket No. 94-131
Filing Procedures in the Multipoint
Distribution Service and in the
Instructional Television Fixed Service

and

Implementation of Section 309(j) of the Communications Act - Competitive Bidding PP Docket No. 93-253

REPORT AND ORDER

Adopted: June 15, 1995; Released: June 30, 1995

By the Commission: Chairman Hundt dissenting in part and issuing a statement; Commissioners Quello and Barrett issuing separate statements; and Commission Ness dissenting in part and issuing a statement.

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I. INTRODUCTION AND SUMMARY

1. By this action, we adopt rules to facilitate the development and rapid deployment of wireless cable services. As a result of our actions in prior proceedings, wireless cable operators that use spectrum in the Multipoint Distribution Service (MDS), often

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1 Wireless cable programming to subscribers resembles cable television, but instead of coaxial cable, wireless cable uses microwave channels. Our use of the term "wireless cable" does not imply that it constitutes cable television for statutory or regulatory purposes.
supplemented with leased channels from the Instructional Television Fixed Service (ITFS), have begun to provide a competitive alternative to wired cable and other multichannel video programming distributors.\(^2\) The rules we now adopt will accelerate that process by setting streamlined measures to distribute unused MDS spectrum through competitive bidding and by establishing a protected service area for MDS stations that is large enough to allow operators flexibility they need to design viable and competitive wireless cable systems. Adoption of these rules will enable the Commission to lift the current freeze on filing new MDS applications.\(^3\)

2. Specifically, we adopt in this order a licensing plan under which we will allot, through a simultaneous multiple round bidding process, one MDS authorization for each of the 487 Basic Trading Areas (BTAs) and six additional BTA-like geographic areas.\(^4\) A BTA authorization holder will be able to construct facilities to provide wireless cable service over any usable MDS channels within the BTA, and will have preferred rights to the available ITFS frequencies and ITFS lease agreements within the BTA. A channel is usable if the proposed station design is in compliance with the Commission's interference standards.

3. Under the new rules, the signals of a BTA authorization holder cannot interfere with those of any other BTA authorization holder. Recognizing, however, that BTA lines do not always track desired service areas, the rules permit BTA authorization holders to negotiate interference protection rights. In addition, the rules we adopt require BTA authorization holders to honor the protected service areas of incumbent MDS operators within their BTAs. In a companion order, also adopted today, the Commission expanded the protected service areas of existing MDS stations.\(^5\) These various licensees and applicants that are authorized or proposed on or before June 15, 1995, including those stations that are subsequently modified, renewed or reinstated, are referred to throughout this Report and Order as "authorized or previously proposed facilities" or "incumbents." In order to facilitate the development of successful wireless cable systems, the rules permit BTA authorization holders to assign or transfer their entire BTAs, or partitioned portions of it, to incumbents or other parties. (Unserved areas may be included as long as the assignment or

\(^2\) Unless otherwise indicated, "MDS" includes single channel Multipoint Distribution Service (MDS) and Multichannel Multipoint Distribution Service (MMDS) applications and authorizations collectively.


\(^4\) Rand McNally defined 487 BTAs in the 1992 Commercial Atlas & Marketing Guide. Since Rand McNally did not include a few areas, we will add them to the list as BTA-like geographic areas, bringing the total to 493 authorizations to be auctioned. See infra at ¶ 37.

transfer takes place within the five-year build-out period that the rules impose.) Because the BTA authorization holder may be an incumbent, the rules permit the aggregation of existing and new MDS and ITFS channels within a BTA.

4. The Report and Order also adopts a variety of measures to streamline the application and implementation processes. It authorizes, for example, the voluntary use of electronic filing for new MDS applications, as well as electronic fee payments. It institutes computerized interference studies utilizing new data elements to be included in a revised MDS application form. It also makes clear that interference disputes are to be resolved, in the first instance, through private negotiations, with the Commission to serve only as a last resort.

5. We understand that the wireless cable industry has made tremendous progress toward the transition to digital transmission. The rules we adopt today will facilitate that transition.

II. BACKGROUND

6. The origin of MDS dates back to 1970, when the Commission removed a limitation on the authorized bandwidth for licensees utilizing the 2150-2160 megahertz (MHz) frequency band. This action led to numerous applications which proposed to use this spectrum for the distribution of television programming from a central location to subscribers at many points. The Commission subsequently determined that the point-to-point service rules were not appropriate for a service that had become a point-to-multipoint service and in 1974, adopted rules to establish the Multipoint Distribution Service. These rules provided for two MDS channels, each consisting of 6 MHz, in the 50 largest metropolitan areas. In the rest of the country, though one 6 MHz channel is available, the second channel bandwidth is 4 MHz and it cannot be used to transmit a standard television signal, which requires 6 MHz of spectrum. In 1983, to satisfy a growing demand for the delivery of video entertainment programming to subscribers and to provide competition to wired cable systems, the Commission reallocated eight of the then twenty-eight ITFS channels for MDS use, and authorized ITFS licensees to lease the excess capacity on their systems to wireless cable

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6 See, e.g., The Wireless Cable Association International, Selected Papers from the First Annual Wireless Cable Technical Symposium (February 4-6, 1995).

7 Memorandum Opinion and Order, In the Matter of Part 21, Section 21.703(g) and (h) of the Commission's Rules, 47 FCC 2d 957 (1970).

operators.\(^9\) That action created wireless cable as a multichannel video distribution medium, and in 1991, the Commission made more channels available for wireless cable services.\(^10\) Today, there are a maximum of thirty-three microwave channels used for wireless cable in each market. These include thirteen MDS channels (Channels 1, 2 or 2A, E1-E4, F1-F4 and H1-H3) and the excess capacity on up to twenty ITFS channels (Channels A1-A4, B1-B4, C1-C4, D1-D4 and G1-G4).\(^11\)

7. Wireless cable is now similar to wired cable television in the type of programming it provides, but differs from cable in how the programming is transmitted to subscribers. Generally, a wireless cable system may be described as a microwave station transmitting on a combination of MDS and ITFS channels to numerous receivers with antennas, such as single family residences, apartment complexes, hotels, educational institutions, business entities and governmental offices. The range of the transmission depends upon the transmitter power, the type of receiving antenna and the existence of a line-of-sight path between the transmitter or signal booster and the receiving antenna.

8. Over the past few years, the wireless cable industry has experienced substantial growth and has emerged as an effective competitor to wired cable in many locations.\(^12\) This rapid growth is due, in part, to program access provisions and changes in other regulations.

\(^{9}\) Report and Order in Gen. Docket No. 80-112 and CC Docket No. 80-116, 94 FCC 2d 1203 (1983). Therein, the Commission also grandfathered interference protection to existing ITFS applicants, permittees or licensees on these eight E and F channels, resulting in twenty-eight ITFS channels in some locales.


\(^{11}\) MDS channel 2A is only 4 MHz wide and lacks sufficient bandwidth to transmit a standard television signal. Grandfathered ITFS stations on the eight E and F channels also lease excess capacity to wireless cable operators.

that have increased access to financing. According to the Wireless Cable Association International, Inc. (Association), "[t]he rapid growth of the wireless cable industry has been fueled by recent debt and equity financing that almost certainly would not have been made but for investor confidence engendered by the FCC's nurturing of wireless cable." Moreover, the growth of MDS has led to the continued development of ITFS. Indeed, wireless cable operators significantly serve the public interest by supporting and funding approximately 95 percent of all new ITFS applicants. This includes many small, rural school systems who now have, or will soon have, access to quality educational materials, which historically have been available only to more affluent school systems. In addition to its contributions to ITFS, wireless cable operators offer other public interest benefits which include expanding consumer choice, stimulating economic growth and providing competition to other multichannel video programming distributors, resulting in better service to the public at lower prices. Today, the Association estimates that there are 170 wireless cable systems in operation which serve approximately 700,000 homes, and experts predict that wireless cable will at least double its current subscriber base by the end of 1995. Comments of Association at 6-7.

9. MDS is a heavily encumbered service. Most of the thirteen MDS channels have already been authorized in the largest metropolitan areas, especially for locations in the eastern half of the country. Thus far, MDS has developed almost entirely in large and medium-sized cities, though MDS systems also serve many smaller communities in the western states. In addition to the approximately 170 operating wireless cable systems, many conditional licenses have been issued to entities that, presumably, are in various stages of constructing their systems. Finally, the MDS landscape includes MDS systems proposed in applications now being processed at the Commission.

10. On December 1, 1994, the Commission released a Notice of Proposed Rulemaking in this proceeding which solicited comment on proposals that would modify our MDS filing procedures and use competitive bidding to select from among mutually exclusive applicants. Notice of Proposed Rulemaking in MM Docket No. 94-131 and PP Docket No. 93-253, 9 FCC Rcd 7665 (1994) (Notice). In the Notice, the Commission acknowledged that wireless cable operators must have access to as many available channels as possible in order to meet subscriber demand and compete with wired cable television systems in the same area. We further observed in the Notice that the expansion of the wireless cable industry has been stifled by an MDS licensing process that has been bogged down for a number of years by thousands of applications and legal protests. The majority of the applications were believed to be speculative and many of the protests were believed to be frivolous. Notice at 7668-69. In 1990, the Commission adopted a one-day cut-off period, which is referred to as the "same calendar day rule," in an attempt to limit the opportunity for speculators to simply

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13 Comments of Association at 6. The Association members include the operators of virtually all wireless cable systems in the United States, as well as licensees in MDS and ITFS, equipment manufacturers and program suppliers.
copy applications that were previously filed and resubmit them under different names. Nevertheless, speculators continued to file a large number of applications up to the time the Commission imposed the freeze on filing applications for new MDS stations in 1992. The backlog has been significantly reduced since the freeze was imposed, and the staff is continuing its efforts to eliminate the remaining backlog of pending applications, process other applications filed after the freeze, such as modifications, and update the MDS inventory. The proposals set forth for consideration in this proceeding were designed to avoid the future accumulation of backlogged applications and legal protests that have delayed the deployment of MDS stations in the past.

11. In the Notice, we proposed to modify our application filing procedures and use competitive bidding to select from among mutually exclusive applicants. We also proposed to implement a mandatory electronic filing system for new MDS and ITFS applications. As a complement to the electronic procedures, the Notice proposed that the Commission utilize computerized interference studies, revise the current application forms, permit the electronic filing of fee payments and establish a current data base with on-line viewing access to the public. Finally, the Notice solicited any other proposals that would allow the Commission to process applications for new MDS stations more efficiently. We received twenty-two comments and nineteen replies from commenters who include MDS licensees, wireless cable operators, attorneys, consulting engineers, educational institutions and other entities who are


15 Supra at n.3. In January of 1993, the Commission adopted a number of rule changes designed to deter abuse by speculators. Report and Order in PR Docket No. 92-80, 8 FCC Rcd 1444 (1993).


17 The only aspect of the Notice which applied to ITFS was the electronic filing proposal. In a separate proceeding, the Commission recently adopted improvements to the ITFS licensing process, including a window filing procedure. Report and Order, Amendment of Part 74 of the Commission's Rules With Regard to the Instructional Television Fixed Service, MM Docket No. 93-24, 10 FCC Rcd 2907 (1995).
interested in MDS. While the commenters generally support the Commission’s efforts to streamline its processing procedures and expedite development of wireless cable services, they have varying proposals on how to accomplish these goals.

III. DISCUSSION

A. FILING PROCEDURES AND SERVICE RULES

12. Proposals. In the Notice, the Commission proposed that applicants file short-form applications for established geographic service areas to identify mutually exclusive applicants for competitive bidding purposes and that the successful bidders file long-form applications. Notice at 7669-71. The Notice suggested the use of predetermined geographic areas, such as Metropolitan Statistical Areas (MSA) and Rural Service Areas (RSA) or Areas of Dominant Influence (ADI). This proposal envisioned that we would release a public notice announcing auctions by geographic area, specifying the filing period for short-form applications (FCC Form 175) and the applicable bidding procedures. Mutually exclusive applicants would bid for all usable MDS channels in that area as a package and the auction winner would be permitted to file long-form applications for conditional licenses to operate stations anywhere throughout the service area provided the specific engineering design of their MDS stations meets the Commission’s interference protection standards with respect to all authorized or previously proposed MDS and ITFS facilities. Long-form applications accepted for filing would be proposed for grant by a Commission public notice, announcing that the applications are accepted for filing and opening a thirty-day period for filing petitions to deny. See 47 U.S.C. § 309(b); 47 C.F.R. § 21.30. The Notice observed that these filing procedures would enable operators to amass MDS channels, would avoid the lengthy delay

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18 A list of the parties filing comments and replies is provided in Appendix A. The list includes parties who, in response to a July 28, 1993 Public Notice, filed comments on ways the Commission could expedite the processing of MDS applications. We have considered those views and incorporated those materials in the public record of this proceeding.

19 MSAs and RSAs are standard geographic areas used by the Commission for administrative convenience in licensing cellular radio systems. The Commission has also used MSAs since 1983 for making mutually exclusive determinations for MDS applications filed for the E or F channels under 47 C.F.R. § 21.901(d)(5). ADIs are standard geographic areas that were developed by Arbitron Ratings Company. Each county in the United States is placed within one of 209 ADIs, the lowest numbered ADI having the highest population.

20 FCC Form 175 contains the applicant's name, the markets in which the applicant wishes to bid, the persons authorized to make or withdraw a bid, whether the applicant is qualified as a designated entity under 47 C.F.R. § 1.2110, certifications that the applicant is legally, technically, financially and otherwise qualified, and identification of all parties involved in agreements, or certification that no agreements exist, relating to the authorizations being auctioned or the bidding process.
associated with licensing stations site-by-site and therefore would allow operators to enhance their services more rapidly. The Notice asked commenters to determine which type of geographic areas would be most suitable for MDS and to address the definition of protected service area. In particular, we requested comment on whether the current definition of an MDS station's protected service area would be appropriate, or whether the boundary of the geographic area designed for auction purposes should become the protected service area. We also asked commenters to discuss the interference standards for service to the areas adjacent to the boundaries between geographic areas. Although the Notice identified this approach of licensing MDS channels as the preferred approach, we also invited comment on alternative licensing procedures.

13. The Notice suggested an alternative approach that would limit applications to predetermined sites where there are vacant E, F or H channels. Notice at 7671-72. Under this approach, the Commission would identify such sites based upon the location of an already authorized E, F or H channel. The Commission would issue multiple public notices specifying the filing period and applicants would file a short-form application to identify mutually exclusive situations for purposes of competitive bidding. The auction winner would be required to file a long-form application containing a complete engineering proposal and specifying a compatible station design with the Commission's interference protection standards to all previously proposed or authorized MDS and ITFS facilities.

14. Under another alternative presented in the Notice, the Commission would periodically open national filing windows, with no geographic restrictions on filing for available MDS channels. Notice at 7672-73. Pursuant to this proposal, we would release a public notice announcing the filing window for available channels. This proposal would initially require a long-form application, containing the applicant's complete technical proposal, to determine mutual exclusivity before competitive bidding procedures are implemented. The Notice pointed out that this approach would likely result in a larger number of mutually exclusive applications and increase the possibility of "daisy-chains" (interlinking application proposals at different locations), which would require a more complicated and time consuming competitive bidding process, including subsequent rounds of auctions to resolve all mutual exclusivities in a daisy-chain. We invited commenters favoring a national window approach to recommend ways to resolve the daisy-chains that might arise under this proposal.

15. As an option to the national filing window approach, the Notice discussed limiting eligibility to file in the first window to existing licensees and system operators who, at the time the application is filed, are operating with a certain minimum number of channels. Notice at 7673. In many situations, the acquisition of a small number of

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21 47 C.F.R. § 21.902. In another order, also adopted today, the Commission amends 47 C.F.R. § 21.902, to expand the protected service area for authorized or previously proposed MDS facilities. Second Order on Reconsideration at ¶¶ 2-31.
additional channels may be essential for launching a whole new wireless cable system in a given area. This approach would allow existing wireless cable operators to accumulate the critical mass of channels necessary to operate competitive wireless cable systems. We asked commenters favoring this option to suggest eligibility requirements to govern the filing of applications in this first window.

16. Comments. There is no consensus in the comments as to which filing approach we should adopt for new MDS stations. The majority of the commenting parties express support for the national filing window approach. Of these, most favor a first window limited to existing licensees and operators, and some commenters advocate such a preference regardless of the filing approach. A few of the commenters support the Notice’s preferred approach of filing applications for predetermined geographic areas; however, they disagree as to the appropriate type and size of service areas. The commenters who discussed the approach that would restrict applications to Commission-identified sites where there are vacant E, F or H channels available generally oppose that concept. Others suggest additional options, such as an MDS allotment plan, or variations of the alternatives proposed in the Notice, such as a national filing window coupled with short-form applications or a first window limited to existing operators with subsequent windows for remaining MDS channels licensed by MSAs and RSAs. Several parties provided additional suggestions for filing procedures, not discussed in the Notice.

17. Crowell & Moring, Pacific Telesis Enhanced Services (PacTel), the Rural Wireless Cable Coalition (Rural Wireless) and CAI Wireless Systems, Inc. (CAI Wireless) favor the Notice’s preferred filing approach where the boundary of the geographic area becomes the protected service area.22 They agree with the Notice that an approach based upon predetermined geographic areas provides the most efficient system for disseminating MDS licenses. In particular, Crowell & Moring prefers this approach over site-by-site licensing because geographic licensing is easier to administer, it achieves the most efficient use of the spectrum, it eliminates daisy-chains (interlinking application proposals at different locations), and it avoids burdensome litigation. Crowell & Moring believes that failure to adopt a geographic area licensing approach would leave MDS at a serious competitive disadvantage compared with Local Multipoint Distribution Service (LMDS) which proposes to license by BTAs and Interactive Video and Data Service (IVDS) which licenses by MSAs and RSAs. PacTel maintains that the licenses would be awarded to those who value them most, and the auction winner would be more likely to be a viable competitor to wired cable. Crowell & Moring and PacTel prefer using ADIs as the basis for MDS service areas because ADIs are of sufficient size to allow a large subscriber base, improving the value of

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22 See Comments of Crowell & Moring at 2-10; PacTel at 2-3; CAI Wireless at 4-6; Rural Wireless at 9-10; Reply Comments of Crowell & Moring at 2-12; CAI Wireless at 8-12; Rural Wireless at 6-9. Rural Wireless includes Central Texas Wireless TV, Inc., Adams Telcom, Inc., Leaco Rural Telephone Cooperative, Inc., Delhi Telephone Company and Valley Telephone Cooperative, Inc.
advertising and allowing more effective competition with wired cable, and because there are more usable channels than available in MSAs and RSAs. ADI auctions would attract more bidders. Rural Wireless believes that MSAs would be attractive to larger companies and RSAs would be more affordable to small operators, such as rural telephone companies, encouraging participation by a variety of service providers. Rural Wireless recommends that the auction winner have the option to partition unused portions of the service area. Partitioning, according to Rural Wireless, would give rural telephone companies a meaningful opportunity to acquire MDS licenses, thereby introducing or improving wireless cable to rural areas, many of which have no other source of multichannel video programming. CAI Wireless supports using MSAs and RSAs for licensing only after a first window for existing operators and recommends that the protected service areas be made coterminous with the boundaries of the MSAs and RSAs only after digital compression technologies are introduced.\textsuperscript{23} Finally, Crowell & Moring requests that the Commission modify its rules to allow the licensee of a geographic area to apply for unused ITFS frequencies anywhere within the protected service area.

18. Numerous commenters oppose geographic licensing where the protected service areas of the MDS stations are coterminous with the boundaries of the geographic areas. Essentially, they present five interrelated arguments in opposition to this approach. First, many commenters assert that such an approach places limits on an operator’s flexibility to design a system. For example, American Telecasting, Inc. (American Telecasting) explains that wireless cable operators select their locations based on where they already have systems, the absence of cable service, the presence of poor cable service or other business reasons inconsistent with political boundaries. Comments of American Telecasting at 17. Second, a few commenters assert that the MDS analog technology, unlike cellular technology, does not permit a wireless cable system to provide service throughout a designated area without significant leakage into adjacent service areas. According to the Association, if a system is designed to maximize coverage of a given geographic area, it will leak significant signal levels into a neighboring area, and if a system reduces its signal to prevent leakage, the operator loses its flexibility to maximize population coverage. Comments of Association at 39-40. The Association points out that while it may be possible to design a wireless cable system without leakage into adjacent areas after conversion to digital technology, the most optimistic estimate for availability of digital compression equipment in quantity is the first quarter of 1996. Comments of Association at 3-4. Third, several commenters emphasize that the sizes of some areas are inappropriate for the MDS service and may cause delays in the introduction of service in many markets. For example, American Telecasting asserts that

\textsuperscript{23} Digital compression is a technology that employs various techniques to reduce the number of bits required to transmit a program. For a given channel bandwidth and digital transmission rate, an operator may, depending on circumstances, transmit a single uncompressed program or multiple compressed programs. For example, a six-to-one compression ratio permits the operator to offer six program channels over one 6 MHz channel that would accommodate only one uncompressed program.
area boundaries have nothing to do with wireless cable service areas, that ADIs tend to be much larger than wireless cable service areas, that MSAs can be larger or smaller than wireless cable service areas and that BTAs are an equally poor methodology. Comments of American Telecasting at 18. The Richard L. Vega Group (Vega) indicates that the irregular market boundaries of MSAs, RSAs, BTAs, MTAs and ADIs are unfit for MDS. Comments of Vega at 2-4. The Association asserts that if the Commission utilizes large geographic areas, such as ADIs, it must afford an opportunity for entities to enter into bidding consortia and partition the ADI among themselves. The Association further asserts that if channels are auctioned by geographic areas, the use of simultaneous multiple round bidding would allow applicants to bid for adjacent markets and design systems to maximize population coverage beyond boundaries. Comments of Association at 34-37. Fourth, several commenters believe that area-based licensing is inconsistent with the licensing of ITFS facilities.\textsuperscript{24} Specifically, some contend that the protected service area for MDS and ITFS should be coterminous to ensure adequate protection for all of a wireless cable operator's channels. Other parties argue that a licensing system based on geographic areas would result in newly authorized systems that are different and most likely incompatible with previously authorized MDS facilities, making it difficult for incumbent operators to add channels to their systems. The Association is concerned about the level of protection incumbent licensees will have and their flexibility to upgrade their facilities in the future. Finally, many commenters believe that a licensing system based on geographic areas will attract speculative applications because of the simplicity of the short-form and because it is easier for unscrupulous marketers to sell an already defined market area. For example, Hardin and Associates, Inc. (Hardin) is concerned that applicants may be deceived into bidding on an area that appears to be profitable, only to discover after the auction that the area is worthless because of the harmful interference from existing stations. Comments of Hardin at 5.

19. Two commenters support the approach which would require the Commission to identify sites based upon the location of an already authorized E, F or H channel, but only as a second option. See Comments of Hardin at 7; Association at 45-47. For example, Hardin contends that this approach, when compared to the geographic licensing approach, is more likely to result in constructed stations that coexist with surrounding stations in an environment free of interference. Hardin and the Association, however, along with the many opponents of this approach, identify several problems with such an approach.\textsuperscript{25} They contend that it limits the operator's flexibility to design a system, it falsely assumes that the

\textsuperscript{24} See Comments of Association at 41; Caritas Telecommunications (Caritas) at 2; Reply Comments of Humanities Instructional Television Educational Center, Inc. (Humanities) at 1; University of Arizona at 1; People's Choice TV Corp. at 2; Region IV Education Service Center (Region IV) at 1; University of Maryland at 1; American Telecasting at 20; National ITFS Association (National ITFS) at 3-4.

\textsuperscript{25} Id.; See also Comments of CAI Wireless at 7-8; Dalager Engineering Company (Dalager) at 2; Marshall Communications, Inc. (Marshall) at 5; Vega at 6.
previously authorized E, F and H channels are going to be constructed where previously proposed, and it would require the Commission to make subjective choices between sites.

20. The commenting parties who support adoption of the national filing window approach assert similar arguments. The Association, for example, states that the national filing window approach is best because it allows licensees to continue to self-select their protected service area through station location and design, and implementation of an electronic filing system will eliminate much of the delay associated with site-specific licensing. Marshall believes that a national window would result in better coverage for populated areas while minimizing harmful interference, as topography and demographics are considered when choosing a station location. Heartland believes that implementation of this approach would be much less disruptive to the wireless cable industry, stating that although it is a slower process, a whole new complicated licensing process would take longer. Hardin believes that a national filing window would generate applicants that are genuinely interested because a detailed engineering analysis is required prior to submitting a long-form application for competitive bidding. Dalager and ACS Enterprises, et al., suggest that daisy-chains be resolved by multi-part auctions, determining the auction winner and dismissing any mutually exclusive applications and repurposing the process with the remaining applicants. Opponents contend that the national window site-by-site licensing approach is administratively complex, increases the possibility of daisy-chains, encourages litigation and thus, would delay the development of new and improved wireless cable service. For example, Rural Wireless states that because this approach has no geographic restrictions, the Commission would be forced to expend an inordinate amount of resources to resolve daisy-chains and determine which mutually exclusive applicants should be placed in the same auction.

21. Of the commenters advocating adoption of the national filing window, a majority favor first window eligibility limited to existing MDS licensees and system operators, with several variations on the specific eligibility requirements. For example, the Association believes that the eligibility restriction should be based upon the number of channels necessary to succeed. Comments of Association at 25-33. Of those parties supporting the geographic licensing approach, three favor a similar preference as part of their licensing scheme. Most

26 See, e.g., Comments of American Telecasting at 12-17; Dalager at 2; Hardin at 7-9; IHeartland Wireless Communications, Inc. (Heartland) at 5-6; Marshall at 5-6, Mitchell Communications Corp. (Mitchell) at 2; National ITFS at 3-4; Vega at 7-9; Sioux Valley Rural Television, Inc. at 1-2; United States Wireless Cable, Inc. (U.S. Wireless) at 4; Vermont Wireless Cooperative (Vermont Wireless) at 1; Association at 41-44; ACS Enterprises, Inc., Baton Rouge Wireless Cable Television, CableMaxx, Inc., Multimedia Development Corp., Rapid Choice TV, Inc., Reading Wireless Cable General Partnership, Shreveport Wireless Cable Television Partnership, Superchannels of Las Vegas, Inc., Wireless IHoldings, Inc. and XYZ Microwave Systems, Inc. (ACS Enterprises, et al.) at 5-13; Reply Comments of Association at 19-23; Cross Country Wireless, Inc. (Cross Country) at 3; Multi-Micro, Inc. (Multi-Micro) at 2; Applied Video Technologies, Inc. at 2-3.
of the parties advocating first window eligibility are either MDS licensees or wireless cable operators. The Association and CAI Wireless believe that this approach will permit the Commission to devote scarce processing resources to those in the best position to immediately introduce competition into the marketplace. CAI Wireless emphasizes that limiting eligibility will deter speculative, fraudulent and anticompetitive applicants. Heartland, Vermont Wireless and Multi-Micro assert that existing operators have made substantial investments in the wireless cable industry, they built on the expectation of eventually acquiring additional channels and they deserve an opportunity to complete their systems to effectively compete with wired cable. American Telecasting argues that this type of preference would satisfy the Commission's goal to allow operators to enhance their service more rapidly and thus, accelerate competition to cable. In opposition, Dalager argues that such a preference is unfair to ineligible individuals who have waited patiently for the Commission to lift the freeze, and it is unnecessary because the channels in a specific area are worth more to the local operator than anyone else and the marketplace will place a value on them at auction. PacTel agrees that licenses should be awarded to those who value them most and giving licensees and operators a preference creates the potential for unjust enrichment due to the relatively small number of potential bidders. Vega argues that an initial window for incumbents discriminates against new entrants to the MDS industry.

22. A few of the commenting parties express their support for different filing proposals that were not raised in the Notice. du Treil, Lundin & Rackley, Inc. (du Treil) proposes that the Commission develop a comprehensive allotment plan for specific communities across the entire country, with a 50-mile separation and competitive bidding by market. Comments of du Treil at 1-4. Vega and ACS Enterprises, et al. propose a national filing window approach with short-form applications. Vega's proposal would use a 50-mile separation to identify mutually exclusive applications for competitive bidding purposes and would only require a certification on the short-form application indicating that the necessary interference studies were conducted and ACS Enterprises, et al., would require technical information on its recommended short-form application, including the specific channels, proposed site coordinates, antenna height, polarization and power. Comments of Vega at 7-9; ACS Enterprises, et al. at 12-13. CAI Wireless proposes a first window limited to existing operators followed by windows for the remaining MDS channels licensed by MSA and RSA, permitting auction winners to file long-form applications to operate facilities anywhere in the service area and mutually exclusive applicants in the boundary areas that are unable to negotiate interference rights would participate in a second auction restricted to the channels in the boundary areas. Comments of CAI Wireless at 2-6.

23. Several commenting parties set forth other proposals to enhance processing efficiencies or otherwise improve service to the public. For instance, the definition for protected service area is an issue of vital importance to the industry and several of the commenters indicate that the current interference protection rule which protects an area within 15 miles of a transmitter site or more generally, 710 square miles, fails to adequately
protect existing service from MDS stations. See 47 C.F.R. § 21.902(d). Some
commenters also believe that an expanded protected service area would deter speculators.
They specifically recommend adoption of an approach based on the service capabilities of
each station, as proposed by the Association in its Petition for Partial Reconsideration in
Gen. Docket No. 90-54 and reiterated in its Comments in this proceeding. Other parties
argue that the MDS and ITFS protected areas should be identical and a few others contend
that there should be no change in the rule. U.S. Wireless believes that automatic forfeiture
of a license under 47 C.F.R. § 21.44 should be eliminated because it subjects MDS
conditioned licenses and leases to undue hardship. Reply Comments of U.S. Wireless at
3-4. Several parties urge the Commission to eliminate the application backlog and improve
the accuracy of the data base before accepting any new applications, and others recommend
additional safeguards against abuse of the Commission's processes including ways to deter
speculators and prevent the warehousing of channels, such as the proposal by U.S. Wireless
to adopt a finder's preference for reporting unconstructed channels.

24. Resolution: After careful consideration of the merits of the various proposals we
raised in the Notice, we continue to prefer a filing approach where applicants file short-form
applications and auction winners file long-form applications. We have decided that BTAs are
the most appropriate geographic area for MDS. The boundaries of each geographic area,
with the exceptions of channels obtained through leases with ITFS licensees, will become the
protected service area for the auction winner. The auction winners will be issued
authorizations for specific geographic areas and will be permitted to operate one or more
MDS transmitting stations and signal boosters anywhere inside the service area, provided the
specific engineering design meets the Commission's interference protection standards to all
authorized or previously proposed MDS and ITFS facilities, and complies with the limits we
establish for signal strength along the perimeter of the geographic area. See infra at
\( \text{¶} 50-53. \) Following the auction, there would be a five year build-out period in which an
authorization holder can expand service or initiate new service within their area without
competing applications. The authorization holder will also be permitted to partition its area
along established geopolitical boundaries and enter into contracts with eligible parties,
allowing such parties to file long-form applications for usable MDS channels within that

\(^{27}\) This issue is being addressed in a separate order adopted by the Commission today.
Second Order on Reconsideration, at \( \text{¶} 2-31. \) A number of commenters request that the
Commission reduce the 120-day public notice period afforded ITFS licensees and permittees
under 47 C.F.R. § 21.902(i)(6), to file petitions to deny MDS applications for new and
modified stations. Hardin and Marshall suggest the Commission adopt a rule requiring the
use of frequency offset transmitters to reduce cochannel interference. These issues are also
addressed in the Second Order on Reconsideration, at \( \text{¶} 32-53. \)

\(^{28}\) Supra at n.5; Comments of Association at 20-25. See, e.g., Comments of American
Telecasting at 23; Reply Comments of CAI Wireless at 2; Hardin at 2-3; Cross Country;
Humanities; Multi-Micro; University of Arizona; Region IV; University of Maryland.
partitioned area. See infra at ¶¶ 46-47. This will permit broad participation from entities of all sizes. This framework provides the most efficient system of disseminating MDS licenses because service areas are easily identified and authorizations are promptly granted with minimal administrative or judicial delays. This approach will also provide operators sufficient flexibility to design systems that satisfy consumer demand.

25. We emphasize that there is no perfect or simple filing approach to adopt at this time for new MDS authorizations given the history of the service, the characteristics of the technologies involved, the implementation of competitive bidding procedures, and our goal to rapidly enhance wireless cable systems as viable competitors in the multichannel video marketplace. We also reiterate that MDS is a heavily encumbered service. Although conditional licenses in some markets for one or more channels have been forfeited for failure to comply with express conditions or to timely construct, in a majority of the markets only small portions are unserved and few channels are available. Of the thirteen MDS channels, it is possible that no channel remains available for prospective bidders for as many as 59 of the cities of the top 100 ranked television markets. There are possibly two or less channels available in as many as 90 percent of these market cities. Moreover, the fixed 35-mile protected service areas of MDS incumbents, adopted today in a separate proceeding, will occupy substantial portions of most BTAs and typically cross BTA boundaries, especially in the eastern half of the country where BTAs are relatively geographically smaller. By enabling incumbents to continue providing interference-free service to subscribers within the expanded 35-mile areas, it is likely that in a substantial number of BTAs, it may be difficult, if not impossible, for an auction winner to locate a station anywhere in the BTA to provide both interference-free service and the necessary interference protection to protected areas of incumbents; unless either the auction winner is the incumbent, negotiates an interference agreement with the incumbent or would acquire the authorization of the incumbent.29 We emphasize that prospective bidders must carefully ascertain the extent of incumbent operations and authorized but unconstructed facilities in any BTAs prior to bidding. Further, where there remains outstanding at the time of auction a pending application, petition for reconsideration, reinstatement request or application for review affecting any BTA, winning bidders would acquire any authorization conditioned upon the outcome of Commission actions on such applications or pleadings. Prospective bidders must consider the total impact of incumbents in their valuation of the auction areas for competitive bidding purposes.

26. With regard to the definition of the service area to be authorized for MDS, we conclude that issuing authorizations by Basic Trading Areas (BTA) reflects the best balance of competing considerations. We considered several service area options including

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29 In assessing MDS channel availability, we assumed that each authorized or previously proposed MDS station has a protected service area of 35 miles, i.e., the expanded service area adopted today in a related order. Second Order on Reconsideration.
Metropolitan Statistical Areas (MSA) and Rural Service Areas (RSA),\textsuperscript{30} the television Areas of Dominant Influence (ADI) and the analytically similar Designated Market Areas (DMA),\textsuperscript{31} Basic Trading Areas (BTA) and a combination of service areas that vary in size. The record reflects that because many MSAs are much smaller than actual service areas existing today, wireless cable stations licensed to different entities in adjacent MSAs would have great difficulty providing service to their MSA without causing harmful interference to systems in adjacent areas.\textsuperscript{32} In some cases, operators who designed their systems to maximize population, are serving subscribers located beyond the MSA in which the transmission facilities are located.\textsuperscript{33} Furthermore, the record indicates that the use of MSAs and RSAs would result in unnecessary fragmentation of natural markets and in order to protect the boundaries of adjacent MSAs and RSAs, in many cases, stations would have to operate at extremely low levels of power. While simultaneous multiple round bidding would permit the consolidation of interdependent MSAs and RSAs, and licensees could acquire additional markets after auctions through the assignment and transfer process, we believe that these options may result in unproductive regulatory and transaction costs for the Commission and applicants. We believe that the use of larger service areas would alleviate these problems and would reduce the need for and cost of interference coordination between neighboring licensees.

27. ADIs and DMAs, on the other hand, tend to be much larger than the area in which reliable MDS service is available using today's technology. American Telecasting indicates that ADIs tend to be over seven times the size of actual wireless cable protected service areas (of 710 square miles) and therefore concludes that ADIs are the least appropriate service area for MDS. It explains that ADIs are designed for television advertising measurement purposes and unlike wireless cable, the signal of television stations and hence the size of ADIs are attributed to cable carriage of television signals. Comments of American Telecasting at 18. Furthermore, the cost of acquiring an ADI authorization through competitive bidding, building systems and marketing services in the larger ADIs may unnecessarily restrict entry to a small number of applicants. BTAs offer a compromise in

\textsuperscript{30} MSAs and RSAs are used by the Commission in licensing cellular radio systems. All of the 306 MSAs and 428 RSAs and the counties they comprise are listed in Public Notice, Report No. CL-92-40, "Common Carrier Public Mobile Services Information, Cellular MSA/RSA Markets and Counties," 7 FCC Rcd 742 (1992). See also 47 C.F.R. § 22.909.

\textsuperscript{31} DMAs are standard geographic areas developed by A.C. Neilsen Company in which each county in the continental United States is placed within one of the 211 DMAs, the lowest numbered DMA having the highest population.

\textsuperscript{32} See, e.g., Comments of American Telecasting at 18; Marshall at 2-3; Vega at 2-4; Association at 35-37; ACS Enterprises, et al. at 6-9.

\textsuperscript{33} For example, the Association described an existing wireless cable operator in Ohio who currently serves subscribers in three different MSAs. Comments of Association at 37.
size that may best approximate MDS service areas. Although varying in geographic shape and size, BTAs are bigger than MSAs generally since they often include the MSA and surrounding counties, thus mitigating harmful interference among adjacent areas. BTAs offer sufficiently large service areas to allow applicants flexibility in designing a system to maximize population coverage and take advantage of economies of scale necessary to support a successful operation. Yet BTAs are generally smaller than ADIs, making the initial cost of acquiring the authorization through competitive bidding lower, and therefore providing greater opportunity for participation by small businesses, female and minority entrepreneurs and rural telephone companies. The use of BTAs combined with geographic partitioning will encourage further participation by a wide variety of applicants. See 47 U.S.C. § 307(j)(4(C). Finally, BTAs provide a manageable number of discrete filing areas for competitive bidding purposes.

28. We recognize that the majority of the commenting parties express support for the national filing window approach. We believe, however, that using national filing windows would most likely result in more of the very substantial processing and administrative delays that have long plagued the development of the wireless cable service. Given the history of the service, we believe such delays are inherent in site-specific licensing, which would require analysis of long-form applications containing the applicant's complete engineering proposal before the competitive bidding process begins. Since the national filing window approach would likely result in a larger number of mutually exclusive applications and daisy-chains, implementation would likely require significant Commission resources and a substantial amount of time to conduct the multi-part auctions (to resolve the daisy-chains) recommended by some commenters or otherwise complete the competitive bidding process. We acknowledge the concerns of some commenters that the licensing approach should afford MDS licensees flexibility to locate systems wherever necessary to maximize coverage. The record reflects that the success of the wireless cable industry thus far has been based upon negotiated agreements with neighboring system operators and strong partnerships with ITFS licensees. The filing system and procedures we adopt herein are expected to facilitate such negotiations and afford wireless cable operators the flexibility to improve existing systems, introduce new systems and implement digital technologies.

29. Indeed, the record indicates that geographic licensing may be the most efficient method to these ends in a digital environment, toward which the wireless cable industry is moving. The nature of digital transmissions will allow more flexibility to tailor signal coverage to geographic boundaries using multiple transmitting facilities. We believe that our rules will facilitate the transition to digital transmissions. If modification of our rules become necessary, we will act promptly to ensure that our rules in no way impede the digital future.

34 See Comments of CAI Wireless at 5; Association at 3-4; Reply Comments of CAI Wireless at 11; Crowell & Moring at 8.
30. In response to the concern about the protected service areas for MDS (BTAs) and ITFS being different, we must emphasize that the two services have differing purposes and authorization procedures. One is intended primarily to provide educational and cultural development to students enrolled in accredited schools and the authorization is issued to the best qualified applicant, while the other is commercial in nature and is subject to competitive bidding. Furthermore, unlike MDS stations, the protection afforded to ITFS operators is based upon receive sites and protected service area is defined in 47 C.F.R. § 74.903. Pursuant to this rule, the protected service area associated with the leasing of excess channel capacity will also expand to a circle, 35 miles in radius, centered about the transmitter site of the ITFS station. We note, however, that in a recent proceeding we adopted a 35-mile protection distance for ITFS receivers, a protection distance that is compatible with many BTAs, and with the 35-mile protected service area for MDS stations which are authorized or previously proposed that we have separately adopted today. Second Order on Reconsideration.

31. For the reasons stated above, we believe that licensing by geographic areas is the best approach for issuing MDS authorizations. We decide not to adopt the approach presented in the Notice limiting applications to predetermined sites identified by the Commission based upon the locations of already authorized E, F or H channels where there are usable channels. We agree with the commenters that this approach is inflexible. An approach in which the Commission identifies the specific site sacrifices the business judgment of the operators when they are in the best position to consider market forces. Further, where there is more than one site, the Commission would have to establish criteria for choosing among the available locations. In addition, where identified sites are unavailable to the highest bidders, the Commission would have to process modification applications, which would actually decrease overall processing efficiency and would delay service to the public.

32. We decline to adopt a preference for existing licensees and system operators because we believe that, rather than place restrictions on eligibility to participate based upon an applicant having access to a minimum number of channels, it is in the public interest to encourage participation from a wide variety of applicants. Indeed, a new entrant into the wireless cable industry may place a higher value on the spectrum than an incumbent licensee or system operator in a given area. While we recognize that in some areas, the existing licensee or operator may be in the best position to immediately introduce competition to wired cable, we further believe that a new entrant with sufficient resources will be able to accumulate a sufficient critical mass of channels to launch a system in a market through the competitive bidding process and through the assignment or transfer of previously authorized channels. Thus, market forces will lead to the accumulation of channels into one operating system.

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35 Report and Order in MM Docket No. 93-24, 10 FCC Rcd 2907, 2917.
33. We also decline to adopt the proposals set forth by du Treil, Vega, ACS Enterprises, et al. and CAI Wireless. The allotment scheme proposed by du Treil is inappropriate for MDS at this point in time because it is a heavily encumbered service. In addition, adoption of an allotment proposal would restrict engineering design flexibility. The proposals by Vega and ACS Enterprises, et al. to adopt the national filing window with short-form applications do not alleviate the delays caused by the likely large number of mutually exclusive applications forming daisy-chains. The request by U.S. Wireless to eliminate the automatic forfeiture rule is beyond the scope of this proceeding. A number of additional proposals were set forth by other commenting parties to otherwise improve the MDS filing process or prevent the warehousing of MDS channels, assuming a filing window approach was utilized. Essentially, the proposals are unnecessary in light of the modifications to our rules adopted in this proceeding and in the Second Order on Reconsideration.

1. Service Areas

34. We therefore will award MDS authorizations for entire BTA service areas under competitive bidding procedures. BTAs were designed by Rand McNally to represent the natural flow of commerce, comprising areas within which consumers have a community of interest. Like the other types of predetermined geographical areas, BTAs vary in size and shape. Typically, a BTA includes a population center(s) (city or large town) and the surrounding rural area. BTA boundaries are based on county lines because most statistical information relevant to marketing is published in terms of counties. The specific boundaries were drawn after a study of several factors, such as physiography, population distribution, economic activities, newspaper distribution and transportation facilities.36

35. We note that Rand McNally & Company is the copyright owner of the Basic Trading Area and Major Trading Area Listings, which list the counties contained in each BTA, as embodied in Rand McNally’s Trading Area System Diskette and geographically represented in the map contained in Rand McNally’s Commercial Atlas & Marketing Guide. Rand McNally has licensed the use of its copyrighted MTA/BTA listings and maps for certain services such as Personal Communications Services (PCS), 800 MHz Specialized Mobile Radio Services (SMR) and Local Multipoint Distribution Services (LMDS). Rand McNally had also reached an agreement in principle with the American Mobile Telecommunications Association (AMTA) for a blanket copyright license for the conditional use of the copyrighted material in the 900 MHz SMR service. These agreements authorize the conditional use of Rand McNally’s copyrighted material in connection with these particular services, require interested persons using the material to include a legend on reproductions (as specified in the license agreement) indicating Rand McNally’s ownership, and provide for a payment of a license fee to Rand McNally.

36. Currently, MDS is not covered by any blanket copyright license agreement. While current and prospective MDS licensees and other parties interested in using the copyrighted materials may negotiate their own licensing arrangement with Rand McNally, as in other services, we encourage interested parties and Rand McNally to explore the possibility of entering into blanket license agreements similar to those noted above to cover MDS. In any event, we note further that an MDS BTA authorization grantee who does not obtain a copyright license (either through a blanket license agreement or some other arrangement) from Rand McNally for use of the copyrighted material may not rely on grant of a BTA-based authorization from the Commission as a defense to any claim of copyright infringement brought by Rand McNally against such grantee. The MTA/BTA Listings, the MTA/BTA Map and the license agreements noted above are available for public inspection at the MDS public reference room, Room 207, 2033 M Street, N.W., Washington, D.C.

37. The Commission will consider awarding the 487 BTA authorizations in the United States, with the following additions to be authorized as BTA-like areas: American Samoa, Guam, Northern Mariana Islands, San Juan, Puerto Rico, Mayaguez/Aguadilla, Ponce, Puerto Rico, and the United States Virgin Islands. Thus, a total of 493 authorizations will encompass all land areas within the United States and related territory. We reiterate that, based on its geographic size, and the extent of encumbrances, it may not be possible in a particular BTA to design and select a station site for any MDS station without negotiating an agreement with one or more affected previously authorized or proposed, cochannel or adjacent channel MDS or ITFS stations. However, we are going to hold auctions initially for all BTAs for which mutually exclusive, short-form applications are filed. The Commission will announce the time and place of the auction and the applicable bidding procedures by a future public notice. Applicants wishing to participate in the auction process will file a short-form application indicating each BTA service area for which they desire to bid. To determine eligibility to apply for a BTA service area, we will apply the same general eligibility requirements for an MDS authorization. There is no restriction on the number of BTA service areas for which any entity may apply or on the number of BTA authorizations awarded to one entity. Incumbent MDS licensees, conditional licensees and applicants and new entrants will be eligible. Accordingly, prospective bidders will be able to aggregate adjacent BTAs to utilize economies of scale that currently benefit wired cable competitors. Selection from among the mutually exclusive applicants will be determined through a simultaneous multiple round bidding process. The auction winner for each BTA service area, if qualified, will be awarded a BTA authorization. The protected service area lies within the geographic boundary of that BTA, except as excluded by any 35-mile circle protected service areas of previously authorized or proposed MDS stations and except for channels related to ITFS lease agreements.

2. Rights and Responsibilities of BTA Authorization Holder

38. The following paragraphs describe the service rules regarding the rights and responsibilities of the holder of a BTA authorization, the duration of those rights and how an event will alter the boundaries of a protected MDS service area. For purposes of clarity, the chronology of the events would occur as follows: (1) the 35-mile protected service areas of incumbents will become fixed in place upon the effective date of the Second Order on Reconsideration; (2) issuance of public notices announcing auctions by geographic area, and specifying the filing periods for short-form applications and upfront payments; (3) issuance of a public notice identifying all applicants determined to be qualified to bid (i.e., submitted acceptable short-form applications and sufficient upfront payments); (4) competitive bidding rounds; (5) after bidding has ended, the Commission would declare bidding closed and would notify the auction winners, who would then have five business days to make down payments and thirty business days to file at least one long-form application;\(^{38}\) (6) following review of the long-form applications, the Commission would issue a public notice identifying those accepted and opening a thirty-day period for filing petitions to deny; and (7) if no petitions to deny are filed or if they are dismissed or denied, the Commission would issue a public notice stating that the BTA authorization and the MDS station license are ready to be issued. Assuming that the auction winner made full payment of its winning bid within five business days of this public notice, the Commission would grant one or more conditional station licenses for individual stations within the auction winner’s BTA service area and issue the BTA authorization for the entire BTA service area.

a. Description of Authorization

39. The holder of a BTA authorization may file one or more long-form applications seeking authority to construct stations anywhere inside their BTA on usable MDS channels, provided the specific engineering design meets the Commission’s interference protection standards to all authorized or previously proposed MDS and ITFS facilities, and complies with the prescribed signal strength limits at the BTA boundary, i.e., at all points along the perimeter of the BTA. A separate conditional station license will be awarded for each single channel or channel group at each site location.\(^{39}\) For example, separate licenses will be

\(^{38}\) If the BTA is so heavily encumbered that the winning bidder is unable to file a long-form application for a station within the BTA while protecting incumbents from harmful interference, the winning bidder must file a statement of intention of use of the BTA, accompanied by a current License Qualification Report (FCC Form 430), before the Commission issues the BTA authorization. See infra at ¶¶ 152-154.

\(^{39}\) This in no way should be interpreted to reflect on other services where we are eliminating site licensing. See Further Notice of Proposed Rule Making in PR Docket No. 93-144 and PP Docket No. 93-253, FCC 94-271 (released Nov. 4, 1994), 59 Fed. Reg.
issued for the E Group, F Group and each of the three H Channels. In this Report and Order, the initial license for the BTA service area will be referred to as a "BTA authorization" and individual channels will be separately licensed. Thus, we will distinguish between three different types of authorizations for MDS facilities: (1) a "BTA authorization" awarded to an auction winner of a particular BTA following the requisite long-form application or statement of intention and requisite payment, (2) a "station license for each individual station within the BTA" service area held by an auction winner, and (3) a "station license" for an MDS facility authorized or previously proposed under the rules predating the effective date of this Report and Order. Accordingly, under the Commission's rules, as amended herein, the holder of a BTA authorization would file a long-form application for each usable single channel or channel group at each transmitter site within the auction winner's BTA service area, and will have a later opportunity to file amendments to correct any defects in the application. The construction period specified in each conditional station license granted for the individual stations within the auction winner's BTA service area will be the five year build-out date which runs from the grant date of the first conditional license within the auction winner's BTA (granted the same date as the BTA authorization). When the portion of the system represented by a particular long-form application is constructed and ready to begin operation, the holder of the BTA authorization will file a corresponding certification of completion of construction. The license term for those stations will be the same ten-year term as MDS stations licensed prior to the adoption of this Report and Order. See 47 C.F.R. § 21.45. The ten-year term for the new licenses will commence on the date the Commission declares bidding in the MDS auction to be closed. The holder of a BTA authorization has a protected service area that is coterminous with the boundaries of their BTA service area, subject to exclusion of the protected service areas and/or locations of authorized or previously proposed MDS and ITFS facilities, as further discussed infra in ¶ 54. Individual station licenses that are a part of a BTA service area will not have a uniquely associated protected service area. The common protected service area of all individual stations within the BTA authorization will be the boundary of that BTA.

40. We emphasize that the actual service areas can be tailored through voluntary agreements among the affected parties. Although our rules indicate that the holders of BTA authorizations must locate all transmitter sites within the boundaries of the BTA and may not cause interference in adjacent BTAs, the interference rights may be modified through negotiation and written agreement. The MDS station facilities within the auction winner's BTA may be expanded or modified throughout the BTA service area so long as the system continues to be in compliance with our technical rules and protects incumbent MDS and ITFS facilities. The facilities may be expanded beyond the BTA or into the protected service area of an incumbent with an agreement from the entity that controls the adjacent BTA or the incumbent protected 35 mile circular area.

41. Consistent with our goal of establishing filing procedures and policies that will encourage the accumulation of a full complement of channels necessary for a viable MDS system, only the BTA authorization holder will be qualified to submit any new application for MDS use of available ITFS frequencies within the BTA in accordance with 47 C.F.R. § 74.990(a), and the ITFS application procedures of § 74.991. ITFS station licensees and prospective ITFS applicants that seek to construct and operate new ITFS facilities located within a BTA and that choose to lease excess channel capacity will be free to negotiate with any potential lessee, including the holder of the BTA. In furtherance of our goal of accumulating a full complement of channels, however, the holder of the BTA will be afforded the right to match the final offer of any proposed lessee. Should the holder of the BTA decline to exercise such right, then the ITFS applicant can enter into a lease arrangement with any operator it so chooses. This is not intended to interfere with present contractual rights that are in effect or renewal of those rights. In the case where a BTA authorization holder is the licensee of ITFS channels, the associated protected service area will be the entire BTA, and interference protection will be governed in the manner for protecting BTA service on MDS channels. However, in the case where a BTA authorization holder leases excess channel capacity from an ITFS licensee, the protected area will be a 35-mile circle centered around the particular ITFS station in the BTA that leases the channels. We will afford this area the same protection generally afforded under our ITFS rules. BTA authorization holders in adjacent BTAs must protect points on the 35-mile circle using cochannel and adjacent channel desired-to-undesired signal strength ratios of 45 dB and 0 dB, respectively. A special case will occur whenever BTA authorization holders in adjacent BTAs both lease the same ITFS channel group, such that the 35-mile protected circle of each extends into the BTA of the other. In this regard, we will expect the respective ITFS entities and BTA holders to reach an agreement concerning interference protection near their common boundary. Moreover, a BTA authorization holder will not be required to protect that portion of the 35-mile circle associated with the other authorization holder that falls on his or her side of the boundary. We believe that this approach will promote our policy objectives for this service and will similarly have only a positive effect on the continued successful development of ITFS with the ever expanding financial support for that service provided by wireless cable operators.

42. The available MDS spectrum within a BTA authorization will increase if the unconstructed facilities or unused channels held by an MDS incumbent with transmitter site locations within a particular BTA are forfeited or if previously proposed conditional licenses or modifications are not granted. The holders of the BTA authorizations obtain contingent rights to this spectrum when they receive their authorizations, so that the forfeited channels will revert and become part of the BTA authorization up to the boundary of the BTA. The holder of the BTA authorization may subsequently file long-form applications for the forfeited channels, provided the specific station design meets the Commission's interference protection standards. Such a policy provides an incentive for the holders of BTA authorizations to find and document such warehousing violations, resulting in efficient use of fallow spectrum. In addition, authorization rights may be revoked or terminated because of gross misconduct, misrepresentation or bad faith by an applicant. Other events may also
change the protected service area, such as the end of the five year build-out period, an assignment or transfer or partitioning of the BTA. These events are discussed in detail below.

b. Five Year Build-out Period

43. The build-out period in which the holder of a BTA authorization is permitted to expand service or initiate new service within their BTA service area will be five years. Specifically, we will provide the BTA authorization holder five years from the grant date of the initial BTA authorization to construct and operate the system. The purpose of this requirement is to ensure that service is promptly delivered to the public. See 47 U.S.C. § 309(j)(4)(B). This five year build-out period is not extended by the grant of subsequent authorizations, such as the grant of a long-form or modification application for an individual station within the BTA service area. We will require the holder of a BTA authorization to submit a showing to the Commission five years after the BTA authorization was issued demonstrating that it is providing a signal level sufficient to provide adequate service to approximately two-thirds of the population of the area within its control in the licensed BTA. The holder of the BTA authorization must submit maps and other supporting documents showing compliance with this construction requirement. The Commission, in evaluating the showing, may consider line-of-sight obstructions and the ability to provide service without causing harmful interference to other MDS or ITFS facilities. If the holder of the BTA fails to cover any of the BTA, it will forfeit the authorization and it will be ineligible to regain it. If the Commission determines that there are usable channels in an unserved or underserved area of the BTA, the Commission would partition the area along geopolitical boundaries and issue a public notice establishing the reauction of the partitioned area. This public notice would announce the auction or auctions by geographic area, specifying the filing period for short-form applications and the applicable bidding procedures. The holder of the BTA will forfeit the partitioned service area and will be ineligible to bid on it. We believe that this coverage policy is reasonable and will result in the channels being made available to applicants who will provide service to the public. We further believe that this will deter the warehousing of channels and ensure that the spectrum is being effectively utilized for MDS.

c. Assignment or Transfer of Control

44. The holders of BTA authorizations and MDS incumbents may negotiate mergers, buyouts, channel swaps, channel splits or make similar arrangements on a voluntary basis, pursuant to the general assignment and transfer provisions of 47 C.F.R. § 21.38. Both parties are generally permitted to buy from and sell authorizations to each other and to third parties, with few limitations.

45. Additional spectrum may be acquired by the holder of a BTA authorization through buyouts of incumbent licensees within their authorized BTA service area. As is the case with ITFS licensees, wireless cable operators may also acquire spectrum through leasing agreements with incumbents. In this case, the protected service area of the acquired station
will extend to the BTA boundary or the existing 35-mile protected circular area (from the incumbent), whichever is larger. The holder of the BTA authorization may assign or transfer control of its entire BTA, which will include all authorized stations, subject to the unjust enrichment provisions for designated entities. See infra at ¶¶ 183, 189. Such an assignment or transfer of an entire BTA may also include unserved areas so long as the five year build-out period has not expired. If a BTA authorization is assigned or transferred, the new holder of the BTA authorization is held to the original build-out period. The holder of the BTA authorization may also partition portions of the BTA along geopolitical boundaries under our partitioning rules, discussed below, and contract with eligible parties, allowing such parties to file long-form applications for the usable MDS channels within that area. We believe that allowing the partitioning of portions of the BTA service area will encourage provision of service to rural areas, which will promote the most efficient use of the spectrum. See 47 U.S.C. § 309(j)(3)(A) (instructing 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).

d. Partitioning

46. During the five year build-out period, we will permit the holder of a BTA authorization to partition portions of its BTA authorization and enter into contracts with eligible parties, allowing such parties to file long-form applications for the usable MDS channels within that partitioned area. The BTA may be partitioned along geopolitical boundaries, and the Commission may grant such applications, provided they are in compliance with the rules. Also, a holder of a BTA authorization will be permitted to add to its service area by acquiring a partitioned service area from the holder of an adjacent BTA. Following grant of such an application, the authorization will be referred to as "partitioned service area." The holder of a partitioned service area would, in effect, then hold something similar to a BTA authorization for the partitioned area. The protected service area will become or expand to the boundaries partitioned along the designated geopolitical boundaries and the same technical rules will apply, including the limiting signal strength at the boundaries of the partitioned area. Accordingly, the construction period for the partitioned service area will be the remaining portion of the five year build-out period and at the end of this five year period, the holder of the partitioned service area must demonstrate that it is providing substantial service to the partitioned area. Once construction is complete, the license term will run ten years from the date the Commission declared bidding in the MDS auction to be closed.

47. We agree with Rural Wireless that allowing holders of the BTA authorizations to partition will facilitate the provision of service to small markets and rural areas, some which currently have no source of multichannel video programming.\(^{40}\) Partitioning will also

\(^{40}\) Comments of Rural Wireless at 10; See also Reply Comments of Rural Wireless at 8; National Telephone Cooperative Association (Telephone Cooperative) at 3.
promote the most efficient use of the spectrum and encourage participation by a wide variety of entities, including small businesses, rural telephone companies, and businesses owned by members of minority groups and women. See 47 U.S.C. §§ 309(j)(3)(B), (3)(D) and (4)(C).

e. Technical Rights and Responsibilities

48. In determining interference protection standards and other technical provisions under this new approach to MDS authorization of service, our objectives are two-fold: (1) to provide maximum flexibility to allow both new BTA authorization holders and current MDS licensees, conditional licensees, and applicants to develop and expand service in the most rapid and economically feasible manner, and (2) to assure that the introduction of new MDS service will not result in objectionable interference to the services of incumbent stations and will minimize in so far as possible the extent of potential interference within BTA service areas. These objectives and the provisions herein take into account the extent to which the current service has been built around successful negotiations among neighboring operators and/or licensees, as well as prospective operators and licensees. We fully expect this spirit of cooperation and accommodation to continue and, while we will adopt interference protection provisions for BTA and incumbent service, we will allow and indeed encourage the holders of BTA authorizations and incumbents to work out mutually agreeable interference concerns with other potentially affected parties whenever possible.

49. As a result of this Report and Order and a separate MDS order we are adopting today, protected service areas for BTA authorization holders and MDS incumbents will be defined differently. Second Order on Reconsideration at ¶¶ 2-31. We believe this approach will best facilitate the full development of incumbent wireless cable systems, many of which already have secured the desired transmitting site, and serve subscribers within a metropolitan area from a single site. In addition, this approach may allow the rapid expansion of new MDS service into other unserved portions of BTAs. We adopt an idea contemplated in the Notice, that the perimeter of a predetermined geographic area (BTA) generally defines its protected area. The holders of BTA authorizations will not be permitted to cause interference within the boundaries of an adjacent BTA, without the consent of the affected authorization holder. When such interference occurs, an offending party will be expected to act promptly to eliminate any unwanted interference in another operator’s BTA.

50. Interference among adjacent BTA operators will be partially controlled by establishing an allowable limit for a station’s predicted signal strength at all points along a BTA boundary. The same limiting signal strength will apply at the boundaries of every BTA, regardless of its size or shape. An exception to this limit would be justified where a single entity obtains authorization for adjacent BTAs. While we recognize that several commenting parties are concerned that an MDS signal simply does not stop at the area boundary, we believe the level of limiting signal strength given below, together with the multitude of available interference abatement techniques, will facilitate control of interference between BTA authorization holders in adjoining BTAs. Interference levels to BTA holders from MDS incumbent stations will be partially governed by establishing the same maximum
allowable signal strength along the boundary of incumbents’ 35-mile circular areas, the expanded area provided in the Second Order on Reconsideration.

51. At first glance, it would appear that the approach to interference control between adjacent BTAs would be ineffective, given that the levels of desired (D) and undesired (U) could be the same at the common boundary between BTAs. The resulting desired-to-undesired signal strength ratio (D/U) of 0 dB falls well below the 45 dB standard now governing interference between MDS stations operating on the same channel. However, taking the signal suppressing effects of receiving antennas into account and further assuming that the desired and undesired signals are coming from opposite sides of the BTA boundary, the D/U ratio improves to as much as 25 dB. If we further expect that in most cases, stations on opposite sides of the boundary would operate with different antenna polarizations, then the D/U ratio further improves to 45 dB. These numbers are based on the characteristics of the standard MDS receiving antenna found in 47 C.F.R. § 21.902(f). Alternatively, station operators on opposite sides of a BTA boundary may design their facilities with agreements between affected parties to operate on a frequency offset basis, with a less restrictive D/U ratio of 28 dB necessary to prevent cochannel interference in this situation. Indeed, a host of interference abatement techniques could be employed to prevent interference near BTA boundaries. Admittedly, this approach relies more on operator interference agreements and the honoring of another’s interference rights than it does on applying rigid interference standards in the processing of applications. However, if we were to mandate strict compliance with the 45 dB cochannel and 0 dB adjacent channel D/U signal strength ratios (the current MDS interference standards) to protect BTA service at the BTA boundary, we believe there would be populated areas within a substantial number of BTAs that may never be served due to the irregular sizes and shapes of BTAs. Moreover, as we have indicated, given the nature and history of the service, as well as the likelihood that auction participants will be experienced in conducting negotiations, we believe that we can prevent unwanted interference by relying primarily on negotiated agreements and voluntary compliance with our interference right-of-ways, which we will enforce as necessary. Thus, we consider our limitation of signal strength at the BTA boundaries and incumbent service areas as a secondary means of interference protection.

52. Inasmuch as incumbent stations lie within BTAs and authorized BTA stations will not have their own protected service areas, interference from incumbent stations can only be governed by agreements between affected parties, and indirectly, by placing a limiting value on the strength of the signal at the boundary of incumbent MDS stations. A signal strength, regardless of its numerical value, will not by itself eliminate the potential for interference from incumbent stations. Terrain shielding, and other abatement techniques will also be helpful in this regard; however, the most effective means of controlling interference will be the agreements between BTA authorization holders and incumbent MDS licensees, which for example, may stipulate that an incumbent utilize a directional antenna pointed away from the affected BTA.
53. We have selected as the limiting signal strength a power flux density value of
-73 dBW/m². This value corresponds to a received power level of approximately -83 dBw
(decibels above 1 watt) or -53 dBm (decibels above 1 milliwatt), given a receiver antenna
with a maximum gain of 20 dBi. A power flux density value is used because "free space"
propagation is the model long used in the MDS service. This variable depends only on the
level of power radiated from a transmitting antenna and the distance between the transmitting
and receiving locations. The value of -73 dBW/m² was selected because it is the "free
space" value of power flux density achieved with an equivalent isotropically radiated power
(EIRP) of 2,000 watts (the maximum allowable EIRP in the MDS service where omni-
directional antennas are used) at a distance separation of 35 miles. This numerical value is
stronger than the power flux density achieved under standards used in the MDS service for
many years, i.e., a value of -75.6 dBW/m² is achieved with 200 watts of EIRP at a distance
of 15 miles. Moreover, based on the record in the Second Order on Reconsideration, it is
clear that many wireless cable systems serve a substantial subscriber base at distances of
35 miles or even greater. Thus, we conclude that the selection of this value of limiting
signal strength will generally enable service over unobstructed signal propagation paths at the
35-mile boundary of an incumbent’s transmitting facilities. The ability to achieve this signal
level at a BTA boundary will vary considerably, depending on the size of the BTA and the
placement of a transmitting facility. Clearly, because of their large size, service of many
BTAs will require multiple transmitting facilities.

54. In the Notice we stated our intention not to change the interference protection
standards applied "at points along the service contours of protected facilities." Notice at
7674. Accordingly, BTA authorization holders will be required to design their transmitting
facilities to protect points along the 35-mile circles and points within the protected service
areas of incumbents’ licensed stations, conditionally licensed stations, or previously proposed
applications. Specifically, stations proposed in BTA long-form applications must meet the 45
dB and 0 dB cochannel and adjacent channel desired-to-undesired signal strength ratios at the
boundary of each protected 35-mile circle. We will also continue to use these stricter
protection standards within incumbents’ protected service areas. Unlike BTA service, which
does not yet exist, incumbent stations have an established subscriber base in many cities and
rural areas throughout the country. Wireless cable systems were carefully crafted, both
through engineering design, site location and negotiation among affected parties, and in
partial reliance on the Commission’s protection standards. To a considerable extent, these
systems provide interference-free reception to subscribers, many out to distances beyond 35
miles. Because many wireless cable systems have been serving subscribers well beyond their
current 710 square mile protected service area, we do not wish to disrupt existing service
patterns which compete with wired cable systems.

55. The holders of BTA authorizations within 80 kilometers (50 miles) of the
Canadian or Mexican borders, may only operate on MDS channels pursuant to the
restrictions in international agreements. Thus, applicants considering authorizations for
these BTAs should consider the impact of the additional border requirements in their
valuation of the service areas for competitive bidding purposes.
3. Treatment of Incumbents

56. As we have stated, a principal objective in this proceeding is to allow incumbents to continue existing operations without objectionable interference from new MDS operations and to allow them sufficient flexibility to modify their facilities to respond to market forces. Expansion of the protected service boundary to 35 miles will increase an incumbents' service area from 710 square miles to 3848 square miles, which will allow for the future orderly development of wireless cable systems, particularly as digital technology is introduced. Second Order on Reconsideration at ¶ 2-31.

57. Incumbents, unless they also control the adjacent BTA territory (either as BTA authorization holders or through interference agreements) will not be free to expand further their service area into the adjacent BTA. The manner we choose to prevent such occurrences is to define a limiting power flux density of -73 dBw/m², which may not be exceeded at points along the 35-mile protected service area. Subject only to this limitation, incumbents will be free to file long-form applications at any time to modify their facilities or add facilities such as signal boosters. In a small number of cases involving directional antennas, an incumbent's power flux density may already exceed -73 dBw/m², for signal paths in some directions at a distance of 35 miles. In such cases, we would not force the incumbent to reduce the signal strength to the allowable limit, nor would we allow the signal level to increase. Incumbents who propose to modify their stations must continue to seek prior Commission approval pursuant to 47 C.F.R. §§ 21.40 through 21.42, and include any agreements with the holder(s) of a BTA authorization(s). All other current rules continue to apply to MDS incumbents unless specifically amended.

58. Finally, since the incumbents' 35-mile protected circles will be embedded within one or more BTAs, to prevent additional encroachment into a BTA we must at some point fix the 35-mile circles around a permanent reference point, absent an interference agreement with a BTA authorization holder. Accordingly, on the effective date of the rules adopted in the Second Order on Reconsideration, we will permanently fix the location of the protected 35-mile circles in the following manner. For incumbent licensees with no conditional licenses or pending applications, the "protected reference coordinates" will be those of the current site. Subsequent changes in site location would be permitted; however, the 35-mile circle would remain centered about the previous site coordinates. For incumbents having only a conditional license or a new station application pending before the effective date, the site coordinates specified for the conditional license or pending application will become the reference coordinates. In cases where an incumbent has two or more authorizations and/or pending applications on the effective date, the reference coordinates in each authorization and/or application will be provisionally treated as the permanent reference coordinates of the protected circle. Eventually, pending applications will be disposed of and conditional licenses will either become licenses or be forfeited for failure to construct.
4. Alternative Uses of MDS Frequencies

59. The principal use of MDS frequencies is wireless cable service. Under Section 21.903(a) of the Commission’s rules, 47 C.F.R. § 21.903(a), MDS stations are "generally intended to provide one-way radio transmission (usually in an omnidirectional pattern) from a stationary transmitter to multiple receiving facilities located at fixed points." At the same time, our rules permit use of MDS frequencies for other kinds of services. Section 21.903(b), 47 C.F.R. § 21.903(b), states that "[u]nless otherwise directed or conditioned in the applicable instrument of authorization, Multipoint Distribution Service stations may render any kind of communications service consistent with the Commission's rules on a common carrier or on a non-common carrier basis . . . ." We wish to emphasize that nothing in this Report and Order precludes either new licensees or incumbents from using MDS frequencies for other kinds of services pursuant to 47 C.F.R. § 21.903(b). We note, however, that such applicants may need to apply for waivers of certain MDS technical rules, such as 47 C.F.R. §§ 21.903(a) and 21.906.

B. INTERFERENCE CRITERIA AND DATA ELEMENTS

60. Proposals. As a complement to the filing proposals and electronic procedures, the Notice proposed to adopt a technical equation as the basis for the "free space" interference protection calculations. The Commission’s MDS engineers currently utilize this formula and it is recognized by engineering consulting firms in the wireless cable industry:

The received signal power level \((RSL)_{dBW}\) at the output of the FCC reference receiving antenna is obtained from the following: \(^41\)

\[
(RSL)_{dBW} = (EIRP)_{dBW} - (L_{FS})_{dB} + (G_{AR})_{dB}
\]

where the free space loss \((L_{FS})_{dB}\) is

\[
(L_{FS})_{dB} = 20 \log (4\pi d/\lambda) \text{ dB}
\]

In these equations, \((RSL)_{dBW}\) is received power in decibels referenced to one watt, \((EIRP)_{dBW}\) is equivalent isotropically radiated power in decibels above one watt, \(d\) is the distance of the signal path in meters, \(\lambda\) is the wavelength of the signal in meters, and \(G_{AR}\) is the gain of the reference receiving antenna, as obtained in 47 C.F.R. § 21.902(f)(3), Figure 1. The Notice proposed to formalize the above equations by adopting them as a rule provision as part of a plan to implement computerized interference studies. Additionally, the Notice stated that we will require proposed facilities to meet the 45 dB and 0 dB cochannel and adjacent channel

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desired-to-undesired signal strength ratios at points along the service contours of protected facilities which were authorized under the current interference standards. With regard to long-form applications, we proposed to retain the requirement in 47 C.F.R. § 21.902, that an applicant perform analyses of the potential for harmful interference and serve such interference studies upon the authorized or previously proposed station applicants, conditional licensees or licensees required to be studied, but we would not require the submission of a list of those served at the time the long-form application was filed. We explained that, on the revised long-form application form, the applicant would supply certain crucial data elements describing the station parameters, such as antenna polarization and the station EIRP, while the Commission staff would perform interference analyses using a computer program. The Notice stated that, although the submission of interference or other engineering analyses would not be required with the long-form application, we would require the applicant to make the records available for Commission inspection upon request. We also questioned in the Notice whether we should eliminate signal contour maps as a required part of the interference studies.

61. Pursuant to our streamlining effort, the Notice proposed to improve the current application form used for new MDS stations, FCC Form 494, by excluding certain data elements which have yielded information that is no longer necessary or of only marginal utility. Specifically, we proposed to eliminate queries regarding the antenna vertical sketch and the narrative description of why grant of the application would be in the public interest. We further proposed to exclude the following parameters of the transmission system: transmitter manufacturer and model number, transmitter output power, transmitting antenna gain and the specification of transmission line and other transmission losses. We observed that with regard to transmitters, we are only concerned that MDS licensees operate transmitters that are "type-accepted" by the Commission for use in this service. Accordingly, we proposed to eliminate the requirement that the applicant identify the transmitter make and model, and simply require that the conditional licensee certify that its transmitter is "type-accepted" in its certification of completion of construction, currently FCC Form 494A. The MDS rules now provide for a maximum EIRP, rather than a maximum value for transmitter output power. See 47 C.F.R. § 21.904. Thus, the Notice stated, so long as the EIRP remains within the limits of Section 21.904, it is not necessary to require applicants to specify the equipment parameters used to calculate EIRP. The Notice also proposed to allow changes to these transmission parameters without notification to the Commission, provided the resulting EIRP would not change. The station power to be specified on the application form would be the maximum EIRP in the horizontal plane, i.e., the EIRP at an angle of zero degrees in the vertical plane. We proposed to permit electrical beam tilting of antennas; however, in all cases, applicants would be required to specify the EIRP in the zero degree vertical (horizontal) plane. Where beam tilting is employed, the EIRP at the zero degree vertical angle will be less than the maximum EIRP at the tilt angle.

42 Since Form 494 is a multi-purpose form that is used for other services, to the extent that we are proposing changes, we intend to create a different form to be used for MDS.
due to the vertical suppression characteristic of the transmitting antenna. In most instances, this value of EIRP closely approximates the power radiated to the radio horizon which is most relevant to interference analysis. By proceeding in this manner, we would not need to collect data on antenna vertical radiation patterns.

62. The Notice proposed to further modify the long-form application in an effort to make the form compatible with an electronic filing system. At the present time, we propose to use a new long-form application together with the current FCC Form 430, the Licensee Qualification Report. An appendix to the Notice listed data elements and other informational items for our proposed new electronic application form, including general, engineering and legal elements. For example, we proposed to retain engineering data elements necessary for analysis of interference or possible air safety hazards, such as transmitting antenna site coordinates, EIRP, antenna polarization, site elevation and antenna structure height above ground. Other data would be used to verify an applicant's compliance with a particular Commission rule, such as when antenna beam width is used to calculate the maximum allowable EIRP of a station using a directional transmitting antenna. We also proposed to retain applicant responses which demonstrate compliance with a particular statutory requirement, such as an environmental assessment.

63. In reference to applicants locating stations in areas where notification or coordination with Canada or Mexico is required by international agreement, the Notice indicated that these applicants would be required to submit the following additional technical data, which were not proposed as standard data elements in the electronic long-form application: transmitter output power, transmitting antenna gain and transmission line loss. In addition to the EIRP at a vertical angle of zero degrees, applicants in the border areas will be required to specify the maximum EIRP at the vertical angle corresponding to the beam tilt. The Notice explained that the additional data requirements could be submitted in a textual exhibit to the electronic application or a paper supplement.

64. Comments. Several commenters support use of the proposed interference protection calculations and use of a computer-assisted interference program.43 Vega suggests that the Commission make the program available to all users. The Association generally supports the formula but is concerned that the proposal to require proposed facilities to demonstrate compliance with the 45 dB and 0 dB D/U ratios only at points along the protected service area contour could prove problematic when terrain shielding protects the contour of the protected service area, but not internal points.44 To avoid this problem, the Association recommends, the Commission should mandate that when terrain shielding is

43 See, e.g., Comments of Hardin at 11; Mitchell at 3; Vega at 10; Association at 50; ACS Enterprises, et al. at 15.

44 The Commission may waive its interference protection rules when it is apparent that the signal is blocked by a substantial terrain obstruction, referred to as terrain shielding.
relied upon to demonstrate interference protection at the boundary, an analysis be conducted of the potential for interference along the given radial at the point farthest from the desired station that is not terrain shielded, if any. Hardin supports use of the formula and points out, however, that the Notice fails to address frequency offset and terrain shielding.

65. Dalager, Hammett & Edison, Inc. (Hammett) and Marshall state that the proposed interference protection calculations are too simplistic and thus inadequate because they fail to consider terrain shielding, frequency offset or cross polarization. Comments of Dalager at 3; Hammett at 1-2; Marshall at 8. Hammett further explains that use of EIRP in the horizontal plane ignores beam tilt, concluding that many completely sound designs would be rejected if this approach is used. Marshall suggests that the free space propagation formula be combined with the equation for desired-to-undesired signal strength ratio.

66. Five parties discuss the submission of maps with the engineering proposal in the long-form application. Dalager recommends that the Commission examine adjacent channel MDS stations only as far as 25 miles away, rather than 100, and co-channel stations only far enough out that a signal reaches their protected area, rather than a mandatory 100 miles. Hardin agrees with Marshall’s contention that there is no need for 100-mile maps of adjacent channel stations and suggests that investigating potential for adjacent channel interference within 50 miles should be sufficient. Mitchell asserts that signal contour maps, while not a requirement, should be encouraged to prove interference free operation because they will enhance the acceptability for new applications. Vega agrees with Commission’s proposal to modify 47 C.F.R. § 21.902(c)(2) and eliminate the map requirement. Hardin requests that we standardize the methodology used to demonstrate terrain shielding, suggesting the use of shadow maps as the most efficient method.

67. The Association states that the list of proposed data elements and other informational items for our proposed new electronic application form, including general, engineering and legal elements, appear to be appropriate. We received several specific comments in response to our proposal to exclude certain data elements which have yielded information that is no longer necessary or of only marginal utility. Caritas agrees with the Notice, that transmitter power ratings should no longer be required, but Hammett contends that the Commission should not eliminate the requirement that applicants specify the parameters used to calculate EIRP. Comments of Caritas at 3; Hammett at 2. Hammett believes that the Commission needs the details on how EIRP was calculated because it is important to allow others to check the accuracy of claimed EIRP values. Similarly, Vega recommends that the Commission retain the antenna vertical profile sketch because it plays an important role in the attributes of mounting configurations of a particular MDS facility in relationship to other services utilizing the structure and gives general identification of the type of structure, which can be particularly helpful under situations such as elaborate

45 This issue is the subject of a petition of reconsideration of Report and Order, PR Docket 92-80, 8 FCC Rcd 1444 (1993).
structure mounting configurations like the Empire State Building. Vega believes that the long-form application should retain the questions on detailed technical information, such as transmitter type, transmission line loss and/or antenna gain including antenna manufacturer and model number, currently requested on Form 494. Caritas agrees with the Commission's proposal to retain the notification requirement of cochannel and adjacent channel licensees and permittees, and further recommends that applicants maintain application summaries and make them available to entities with sites within a 75-mile radius upon request.

68. Some commenters suggested that we eliminate specific requirements. Many commenters request elimination of the requirement under 47 C.F.R. § 21.902(i)(3), to serve, by certified mail, a copy of the interference analysis on ITFS licensees or permittees, and one of those parties requests that we revise Section 21.902(c) to eliminate the requirement to file interference studies for previously proposed MDS stations which at one time had been informally classified as a lottery loser. Crowell & Moring and CAI Wireless argue that a licensee should be permitted to establish transmitter sites anywhere within the boundaries of its service area or modify its facilities without prior approval from the Commission, so long as the licensee subsequently files the technical details and certifies that the modification complies with the interference protection requirements. Comments of Crowell & Moring 8-9; CAI Wireless at 8. CAI Wireless also suggests that the Commission end its regulation of beam benders, multiple transmitter systems and other engineering solutions which expand service quickly to underserved areas.

69. Resolution. With some additional clarification, we will adopt the proposals raised in the Notice, including the free space equation and the proposed data elements for the long-form application. A draft long form application, FCC Form 304, is attached as Appendix D. We will develop computer programs that will help to streamline the processing of the long-form and modification applications of MDS incumbents and BTA authorization holders. A program is being designed that will perform cochannel and adjacent channel interference analysis at one degree intervals along the protected 35-mile circle of incumbents' authorized stations or protected station proposals. This program, as envisioned, will use the Commission's three-second terrain data base to check for unobstructed signal paths between the site of the station being studied and points along the incumbent's protected contour. For those radials on which line-of-sight conditions do not exist, either due to a terrain obstruction or the earth's curvature, the program will conclude that interference would not occur at that point. We note, following long-standing Commission practice, that all line-of-sight determinations will assume a receiver height of 30 feet and a standard 4/3 earth radius for determining the electrical horizon. Where line-of-sight conditions exist, the program would first determine the proposed station's EIRP in the pertinent direction, based on the EIRP and horizontal relative field strength tabulation given in the application. The

46 The Office of Management and Budget has not yet approved the FCC Form 304 pursuant to the Paperwork Reduction Act. A public notice will be issued when the new form has been approved and is available for use.
received signal power level of the proposed station, the "undesired signal" (U), will then be calculated using the free space equation. The value of the receiver antenna gain in this calculation will depend on the angular relationship between the radial azimuth and the orientation of the receiving antenna. We will assume that the latter is pointed toward the station being received. The gain will also depend on whether the proposed station is cross polarized or co-polarized with respect to the protected station. The receiving antenna gain will be that of the reference receiving antenna found in Section 21.902(f)(3), Figure 1 of the Commission’s rules. We here establish a fixed value for the "desired signal" level at the 35-mile boundary. Assuming a receiver antenna gain of 20 dB above an isotropic antenna, an EIRP of 2000 watts (33 dBw) and a frequency of 2638 MHz, the midpoint frequency between channels E1 and H3, the free space propagation equation gives a value of -82.9 dBw. Our computer program will therefore use a received power level ("D") of -83 dBw as the value of the desired signal strength. Finally, the program will compute the value of the desired to undesired signal strength ratio ("D/U"), which in logarithmic units is expressed as D - U. This value will be tested against the minimum standard of 45 dB.

70. Another program is being designed that will analyze the impact of incumbents' modification applications. This program will analyze 360 radials spaced by one degree, first checking for unobstructed line-of-sight paths to the 35-mile boundary and, for clear paths, calculating the free space signal strength that would result from the modification and comparing it to the maximum allowable limit; that is, a power flux density value of -73 dBw/m². To the extent that we are not constrained by licensing agreements with third parties and to the extent resources are available, we will make our computer programs available to the public. This will be announced in a subsequent public notice.

71. We emphasize that we will use computer models as application processing tools. Similar processing tools have been successfully used for Low Power Television Service with very few reported cases of interference to television reception, none of which occurred inside of a station’s protected contour. The MDS interference standards should not be confused with the processing methods, which can only approximate the standard. For example, under the interference standards, incumbents’ 35-mile areas are to be protected not only at points along the boundary, but also within the boundary.

72. Although, as applicable, we will require MDS applicants to prepare interference analyses or notification of application filings, and serve these on potentially affected parties, we will generally not require that such studies or a list of the parties served be included with applications. However, since electronic filing will be implemented in this service on a voluntary basis, we will allow applicants to submit interference studies with their applications on a voluntary basis. Applicants may also submit negotiated agreements of tailored interference protection or operation on the basis of frequency offset. Applicants may submit terrain shielding studies based on methods of their own choosing, including shadow maps. There are no universally accepted methods for terrain shielding studies given the widely varying characteristics of terrain features. Therefore, we believe it is appropriate to afford applicants the flexibility to select a terrain model suitable to the terrain being analyzed.
Additionally, we are persuaded by the comments that interference studies should no longer be required to include contour maps. As Marshall points out, contour lines can be used in several ways and are most useful when drawn on a terrain shadow map, which is not a required element in the application process. Applicants may continue to prepare interference studies with D/U contour lines at their discretion. Given the structure and processing tools associated with our new licensing approach for the MDS service, we will not prescribe how applicants' interference studies are to be conducted. Further, potentially affected parties who are served a study and disagree with its conclusions may file a petition to deny an application.

73. As contemplated in our Notice, we intended to streamline our application forms in accordance with our actions herein. We are, therefore, directing the staff to incorporate as appropriate those data elements previously listed in the Notice into a revised and reformatted long-form application for use in the future by MDS applicants seeking to construct new stations or to make changes in their authorized facilities.

C. ELECTRONIC FILING AND ELECTRONIC FEE PAYMENTS

74. Proposals. In the Notice we invited comment on the feasibility of utilizing mandatory electronic filing for new MDS applications, on whether ITFS applicants should be required to file applications for new stations electronically on a combined application form,47 and on whether there should be a paper exception for those educators that are not financially supported by a wireless cable operator. Notice at 7676-77. The Notice suggested that communication links could be used to exchange application data between applicants and the Commission, thus minimizing the filing of paper with the Commission and allowing the Commission to process MDS and ITFS applications more efficiently. Pursuant to the proposal, an electronic form would be designed for personal computers using a Windows based environment, and consisting of a series of computer screens. One possible approach identified in the Notice involves the use of electronic mailboxes such as that of a Value Added Network (VAN). Applicants would transmit relevant data from their personal computer to a VAN electronic mailbox. The VAN would, in turn, convert the data into a format compatible with Commission files and download the information to an electronic mailbox at the Commission. In the Notice, we recognized the possible limitations of this approach with respect to maps and other graphic representations. We envisioned that the public would have on line viewing access to our data bases, perhaps through a third-party vendor in addition to access at the Commission’s public reference room.

47 In 1992, Congress amended the Communications Act of 1934 to permit the electronic filing of license and construction permit applications. See Telecommunications Authorization Act of 1992, Pub. L. No. 102-538, § 204, 106 Stat. 3533, 3543, codified at 47 U.S.C. §§ 308(b) and 319(a). Such applications may be signed "in any manner or form, including by electronic means, as the Commission may prescribe by regulation." Id.
75. In the Notice, we also proposed expanding the acceptable methods of payment for application fees to include electronic payment under 47 C.F.R. § 1.1109. 48 We stated our intention of announcing the procedures for the electronic payment of fees in a public notice, pursuant to Section 1.1109(a)(1). We sought comment regarding a fee system where applicants use a unique fee payor number together with an appropriate service code and a suffix in cases where applicants file multiple applications, in order to link the fee payment with the electronically filed application.

76. Comments. The majority of commenters support the Commission’s initiative to implement electronic filing and agree that access by the public to the data base would facilitate more accurate and up-to-date information concerning filings with the Commission. Commenters are split on whether electronic filing should be mandatory or voluntary. In addition, many commenters believe that the Commission should adopt a hybrid approach to electronic filing, permitting paper filing of graphic representations and maps. A number of commenters express concern regarding what software and access method would be used, stressing that the Commission should implement a solution that is user-friendly and able to accommodate multiple operating environments. A few commenters express concern about data security and system reliability. We received no objections to electronic fee payment. Specific comments are discussed below.

77. Commenters who support an electronic filing approach have differing views on whether electronic filing should be mandatory or voluntary. 49 The Association’s position is that electronic filing should be mandatory, noting that the costs of electronic filing are small compared to the costs of constructing and operating MDS or ITFS stations. Furthermore, the Association asserts that the entire electronic filing system would be compromised if some or all ITFS licensees were exempted, because the data base would then no longer be complete or definitive. ITFS Parties share this view. However, ITFS Parties suggest that the Commission consider permitting, for a short transition period, applicants who filed paper copies to file electronically within thirty days of Commission notification if they certify that they were unaware of the electronic filing mandate. Further, ITFS Parties suggest that the Commission not require that all ITFS filings be electronically filed (e.g.,

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49 See, e.g., Comments of Association at 47; and ITFS Parties at 2 (calling for mandatory electronic filing). ITFS Parties includes South Carolina Educational Television Commission, State of Wisconsin-Educational Communications Board and University of Maine System. See, e.g., Comments of Rural Wireless at 12-13; Caritas at 4; National ITFS at 4; Pepper & Corazzini, I. I. P. (Pepper) at 8; and Multi-Micro at 2 (calling for voluntary electronic filing).
certifications of completion of construction, assignments and transfers).

78. Conversely, several commenters propose voluntary electronic filing, claiming that smaller applicants might not have access to the technologies necessary for completion and submission of applications via electronic filing, and that an immediate and mandatory conversion to an electronic filing system could undermine the goals of the proposal, in part due to technical questions and applicant confusion. For instance, Caritas claims that mandatory electronic filing would unfairly advantage larger educational institutions which have familiarity with, and access to, electronic networks. Similarly, National ITFS believes that mandatory electronic filing would place an unusual and onerous burden on educators whose application is not supported by an excess capacity lessee, and who may never apply for more than four channels. Pepper believes that the Commission should organize a committee to recommend Commission-wide electronic filing standards and procedures for all services. A few commenters express reservations about electronic filing and whether it would increase processing efficiency. See, e.g., Comments of Marshall at 10-12; Vega at 14-15. Vega proposes that if the Commission implements electronic filing at all, it should proceed slowly in making a transition from paper to electronic filing.

79. Dalager and ITFS Parties agree with the Commission’s observation in its Notice that electronic filing could be problematic in terms of feasibility and cost, with respect to graphic representations and maps. See Comments of Dalager at 3; ITFS Parties at 3. Dalager and ITFS Parties therefore propose that the Commission consider a hybrid system using both paper and electronic filing.

80. A number of commenters provide suggestions and recommendations regarding the type of software to be used and access methodology for electronic filing.\(^{50}\) Essentially, commenters stress the need to carefully consider alternative approaches, access methodology, compatibility issues, ease of use and associated expense. For example, ITFS Parties propose that the use of the Internet, rather than a VAN for electronic filing may be a viable option, due to wide access to the Internet, and claim that use of a VAN would simply add to the applicants cost of filing. Marshall claims that generally, engineering software used for MDS saves graphical information (such as shadow maps and radio path studies) in standard Hewlett Packard Graphics Language (HPGL) format, and suggests that whatever standard is used for electronic filing be compatible with HPGL. Hardin also holds the view that whatever standard is used, it should be compatible with HPGL. Pepper proposes that whatever software is used, it should be readily available, inexpensive, able to accommodate multiple platforms and it should be easy to access with standard communication software and protocols.

81. Pepper is concerned about computer security, including the authentication of the

\(^{50}\) See, e.g., Comments of ITFS Parties at 3-5; Marshall at 11-12; Pepper at 3-6; Reply Comments of Hardin at 6.
filing parties, and stresses the need for protection of confidential data. Vega is concerned about the security of the transfer protocol. A number of commenters, including Caritas, ITFS Parties and Pepper, note that a process should be put in place which enables applicants to ascertain what information was received by the Commission and on what date. These applicants express a need for an immediate and documentable confirmation of receipt, such as that which currently exists with date stamping. Pepper also stresses the need for selecting a reliable network capable of handling large volumes and having a reliable back-up system.

82. We received no objections to electronic fee payments. Vega expresses support for the Commission’s adoption of a method of accepting electronic payments, assuming that other current forms of payment remain an option. Comments of Vega at 15; See Comments of Association at 50. Other commenters declined to address electronic fee payments.

83. Resolution. We will authorize voluntary electronic filing for new MDS applications. Use of an electronic filing system is not as essential under the filing approach we adopt today because we anticipate that fewer long-form applications will be filed. We also considered the burden on educators and determined that applications for new ITFS stations will not be included at this time. We appreciate the concerns expressed by commenters, including the cost to applicants of implementing and using electronic filing, data security and system reliability issues. We will take these concerns into account in deciding upon the software which will be used and the access method for electronic filing. We agree with commenters who encourage the Commission to evaluate carefully alternative electronic filing approaches and who suggest a transition period from paper filing to electronic filing. At the present time, we decline to accept the proposal put forth by Pepper regarding the establishment of a committee to recommend Commission-wide standards and procedures for all services, noting that the merits associated with the formation of such a committee would be outweighed by factors such as delayed decision making and implementation of electronic filing. Through subsequent public notices we will provide specific details concerning the method for electronically filing MDS applications. We will also authorize electronic fee payment for MDS applications. Current methods of payment available under 47 C.F.R. § 1.1109 will continue to be accepted. As our resources permit, we will work toward improved viewing access to the data bases.

D. COMPETITIVE BIDDING PROCEDURES

1. Competitive Bidding Background

84. On August 10, 1993, the Omnibus Budget Reconciliation Act of 1993 (Budget Act) added a new section 309(j) to the Communications Act of 1934, as amended, 47 U.S.C. §§ 151-611 (Communications Act). This amendment to the Communications Act gave the Commission express authority to employ competitive bidding procedures to choose from among mutually exclusive applications for certain initial licenses. The Commission adopted a Notice of Proposed Rule Making in the competitive bidding proceeding on September 23,