

guaranteed installment payments, with or without royalty payments, or other schedules or methods \* \* \* and combinations of such schedules and methods." 47 U.S.C. 309(j)(3)(B). The statute also requires the Commission to "ensure that small businesses rural telephone companies, and businesses owned by members of minority groups and women are given the opportunity to participate in the provision of spectrum-based services. *Id.* § 309(j)(4)(D). To achieve this goal, the statute indicates that the Commission should "consider the use of tax certificates, bidding preferences, and other procedures." *Id.*

35. Congress was particularly concerned that difficulties in accessing capital would prevent designated entities from meaningful participation in auctions and spectrum-based services. See H.R. Rep. No. 111, 103d Cong., 1st Sess. 254-55 (1993). In other services, the Commission has employed a wide range of special provisions and eligibility criteria designed to meet this statutory objective. See, e.g., *Third Report & Order*, PP Docket No. 93-253, 59 FR 26741 (May 24, 1994). The Commission states its intention to meet this objective in the 900 MHz SMR service, and tentatively concludes that it should provide for bidding credits, installment payments and reduced down payments to promote opportunities for small businesses, including small businesses owned by women and minorities—on all channel blocks in each MTA. These provisions would reduce barriers to accessing capital faced by all small businesses. In addition, to facilitate the introduction of service to rural areas, the Commission proposes to allow rural telephone companies to obtain geographically partitioned 900 MHz SMR licenses in areas where they provide telephone service.

36. *Bidding Credits*. Bidding credits allow eligible designated entities to receive a payment discount (or credit) for their winning bid in an auction. In the *Auctions Second Report & Order*, 59 FR 22980 (May 4, 1994), the Commission determined that competitive bidding rules applicable to individual services would specify the designated entities eligible for bidding credits and the amounts of the available bidding credits for that particular service. The Commission has since adopted bidding credits for narrowband PCS, broadband PCS, and Interactive Video and Data Service. See *Third Memorandum Opinion & Order & Further Notice of Proposed Rule Making*, PP Docket No. 93-253, 59 FR 44058 (August 26, 1994); *Fifth Report & Order*, PP Docket No. 93-253, 59 FR

37566 (July 22, 1994); *Fourth Report & Order*, PP Docket No. 93-253, 59 FR 24947 (May 13, 1994). For 900 MHz SMR service, the Commission proposes to offer a 10 percent bidding credit to small businesses bidding on any of the ten-channel blocks within each MTA. These bidding credit designations would help achieve the objectives of the Budget Act and provide small businesses with a meaningful opportunity to participate in the 900 MHz SMR auction, while taking into account the concerns of incumbents within the DFAs. Because of the large number of licenses available in this service, the Commission states that a higher bidding credit would be unnecessary.

37. The Commission seeks comment on this proposal. Specifically, is a 10 percent credit sufficient to enhance bidding opportunities? Also, how should the presence of incumbents on all channel blocks affect the availability of bidding credits on all blocks? In previous auctions where bidding credits for women and minorities have been available, varying degrees of participation in spectrum-based services has resulted, and the Commission's auction experience to date has not included a small business bidding credit available on all blocks. Also, the Commission proposes to limit eligibility for bidding credits to small businesses. The Commission seeks comment on whether eligibility should be expanded to include businesses owned by minorities and/or women, even if they do not fall within the Commission's small business size standards for 900 MHz SMRs.

38. In the event that the Commission modifies the bidding credit eligibility proposal for minority- and women-owned entities, the Commission also seeks comment on a second bidding credit alternative, which would entitle small businesses and minority- and women-owned entities to receive bidding credits on the five least encumbered blocks in each MTA. In the event the Commission adopts a proposal to limit bidding credits to small businesses, should it also limit availability of the credit to the channel blocks with the fewest incumbents, or would this limitation dilute the effectiveness of a small business credit as a means of attracting broad designated entity participation in the 900 MHz SMR service? What bidding credit amounts should apply to women and minority-owned businesses and small businesses? Should women-owned and minority-owned businesses that are also small businesses receive an aggregate bidding credit? The

Commission seeks comment on the ramifications of each proposal for incumbents in each block. Finally, the Commission seeks comment on any possible alternative bidding credit schemes.

39. *Reduced Down Payments/ Installment Payments*. The Commission proposes to adopt an installment payment option for small businesses that are winning bidders in the 900 MHz SMR auction. Under this proposal, small businesses that are winning bidders in the 900 MHz SMR auction would be entitled to pay their bid in installments over the term of the license, with interest charges to be fixed at the time of licensing at a rate equal to the rate for ten-year U.S. Treasury obligations plus 2.5 percent. Under this proposed rule, qualified licensees would make interest-only payments during the first two years of the remaining license term. Timely payment of all installments would be a condition of the license grant and failure to make such timely payment would be grounds for revocation of the license. Additionally, the Commission tentatively concludes that small businesses that are eligible for installment payments also would be allowed to pay a reduced down payment (five percent of the winning bid) five days after the auction closes, with the remaining five percent down payment due five days after Public Notice that the license is ready for grant. This proposal would mitigate the effect of limited access to capital by small businesses, especially those owned by minorities and/or women.

40. The Commission seeks comment on these payment procedures. If the Commission expands its installment payment eligibility proposal for women- and minority-owned entities, should those entities also receive reduced down payment and installment payment provisions and, if so, on what terms? In the event the Commission adopts provisions for minority- and women-owned applicants, should enhanced installment payments be made available?

41. *Eligibility for Bidding Credits, Installment Payments and Reduced Down Payments*. The Commission proposes to limit eligibility for bidding credits, installment payments and reduced down payments to small businesses, including those owned by members of minority groups and women and those rural telephone companies that meet the small business size standards. The Commission proposes to define small businesses as those entities with less than \$3 million in average gross revenues for each of the preceding