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

In the Matter of	)	
	)	
Updating Part 1 Competitive Bidding Rules	)	WT Docket No. 14-170
	)	
Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions	)	GN Docket No. 12-268
	)	
Petition of DIRECTV Group, Inc. and EchoStar LLC for Expedited Rulemaking to Amend Section 1.2105(a)(2)(xi) and 1.2106(a) of the Commission's Rules and/or for Interim Conditional Waiver	)	RM-11395
	)	
Implementation of the Commercial Spectrum Enhancement Act and Modernization of the Commission's Competitive Bidding Rules and Procedures	)	WT Docket No. 05-211

COMMENTS OF THE BLOOSTON RURAL CARRIERS

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Summary

The Blooston Rural Carriers strongly urge the adoption of a rural telephone company bidding credit as well as strict safeguards that will foster genuine designated entity participation in spectrum auctions and prevent the domination of bid credit awards by huge corporations.

The results of the AWS-3 auction prove that availability of a small business bidding credit alone is insufficient to provide meaningful opportunities for rural telephone companies to participate in auctions and thereafter in the provision of spectrum-based services. A tailored rural telephone company bidding credit provides an appropriate mechanism for the Commission to bridge this opportunity gap without creating new opportunities for abuse by non-DEs, or unjust enrichment of credit recipients. These further comments provide the Commission with suggested rule language that could be used to implement a rural telephone company bidding credit and to address unjust enrichment to promote further discussion among the Commission and interested parties.

The Commission should also adopt revisions to its small business bidding credit designed to enhance its effectiveness for *bona fide* small businesses while preventing abuses that have become all too common in recent FCC auctions. It should prohibit leasing and/or wholesaling of DE licenses to an investor unless that investor is a rural telco, and it should continue to restrict DEs from leasing spectrum acquired with bid credits to nationwide wireless carriers. The Commission should modify its gross revenue attribution rules by, among other things, providing an exception that would allow rural telco small business applicants to exclude the gross revenues of certain cellular partnerships in which they participate but do not control.

Finally, to further promote rural telco access to 600 MHz spectrum from the Broadcast Incentive Auction, the Commission should adopt rural telco partitioning incentives as discussed in the initial comments of the Blooston Rural Carriers.

Table of Contents

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COMMENTS OF THE BLOOSTON RURAL CARRIERS

The law firm of Blooston Mordkofsky Dickens Duffy & Prendergast, LLP ("Blooston"), on behalf of its rural telephone and rural wireless clients shown in Attachment A (the "Blooston Rural Carriers"), respectfully submits these comments on the Commission's April 17, 2015, *Public Notice* seeking further input on issues relating to updating the Part 1 Competitive Bidding rules ("*Further Comment Notice*").[1] As described below, the Blooston Rural Carriers strongly urge the adoption of a rural telephone bid credit; and the adoption of strict safeguards that will foster genuine designated entity participation in spectrum auctions and prevent the domination of bid credit awards by huge corporations.

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[1] *See* Request for Further Comment on Issues Related to Competitive Bidding Proceeding; Updating Part 1 Competitive Bidding Rules, *Public Notice*, FCC 15-49 (*rel.* April 17, 2015), 80 FR 22690 (April 23, 2015).

I. The Rural Telephone Company Bidding Credit

At the outset, the Blooston Rural Carriers applaud the Commission's decision to seek comment on the concept of a rural telephone bidding credit, in response to input in the initial comment cycle in this proceeding. In prescribing regulations to govern competitive bidding, the FCC has an obligation, under Section 309(j) of the Communications Act, to disseminate licenses among a wide variety of applicants, including small businesses, rural telephone companies, and businesses owned by members of minority groups and women. The Act calls for the Commission to ensure that these Designated Entities (or DEs) are provided meaningful opportunities to participate in the provision of spectrum based services. However, the results of the recent AWS-3 auction, and earlier comments in this proceeding, show that the Commission's effort to meet this statutory obligation indirectly – through the availability of bidding credits for eligible small businesses – is falling short of the mark. Initial comments of the Blooston Rural Carriers demonstrated that more than half of the 70 qualified bidders were affiliated with the rural telephone industry, but only eleven (11) companies had winning bids at the close of the auction, and only five (5) of these companies sought eligibility for small business bid credits, and the total dollar amount of bid credits received by the rural telephone industry in Auction 97 was just $871,350. These statistics are irrefutable and prove that availability of a small business bidding credit alone is insufficient to provide meaningful opportunities for rural telephone companies and their subsidiaries/affiliates to participate in the provision of spectrum-based services. A tailored rural telephone company bidding credit, as proposed by the Blooston Rural Carriers and others, is an appropriate mechanism for the Commission to bridge this opportunity gap without creating new opportunities for abuse by non-DEs, or unjust enrichment of credit recipients.

A. How the Rural Telephone Company Bid Credit Would Work

As contemplated by the Blooston Rural Carriers, the rural telephone bidding credit would be a 25% bidding credit that would be separate from and in addition to any small business bidding credit for which an applicant would qualify. The credit would be available to any entity that qualifies under the Communications Act or Commission's Rules as a rural telephone company or that is a subsidiary/affiliate of a rural telco. The credit would allow eligible entities to secure a discount on their gross winning bid(s) for any geographic area licenses that overlap, in whole or in part, areas where the qualified rural telephone company provides service, *i.e.*, has secured Eligible Telecommunications Carrier (ETC) status. The credit would be subject to unjust enrichment payments if a license acquired with the credit is assigned to another entity, unless the assignee or partitionee itself is a qualified rural telephone company or rural telco subsidiary/affiliate with a service "presence" in the original license area. This is designed to facilitate rural telco partitioning arrangements in the public interest.

B. Eligibility for Rural Telephone Company Bidding Credit

A couple of issues that the new bid credit rule would need to address, and which are discussed below, are (1) how to formulate a reasonable way to limit eligibility for the rural telco bid credit to *bona fide* rural telcos; and (2) how to determine wireline "presence" for purposes of defining geographic areas where the rural telephone company could use its credit.

1. Definition of Rural Telephone Company

A rural telephone company bidding credit would be relatively easy for the Commission to adopt, and the credit would not be prone to abuse, because a suitable and objective definition is already included in the Communications Act and the Commission's Part 1 rules. In this regard, the definition of a "rural telephone company" from Section 153(44) of the Act[2] is as follows:

> **(44) Rural telephone company**
>
> The term "rural telephone company" means a local exchange carrier operating entity to the extent that such entity—
>
> **(A)** provides common carrier service to any local exchange carrier study area that does not include either—
>
> **(i)** any incorporated place of 10,000 inhabitants or more, or any part thereof, based on the most recently available population statistics of the Bureau of the Census; or
>
> **(ii)** any territory, incorporated or unincorporated, included in an urbanized area, as defined by the Bureau of the Census as of August 10, 1993;
>
> **(B)** provides telephone exchange service, including exchange access, to fewer than 50,000 access lines;
>
> **(C)** provides telephone exchange service to any local exchange carrier study area with fewer than 100,000 access lines; or
>
> **(D)** has less than 15 percent of its access lines in communities of more than 50,000 on February 8, 1996.

Because the above definition is based on characteristics of an established business, it wouldn't be prone to "gamesmanship" through the creation of a new entity designed especially to qualify for the credit. Ensuring that the credit goes to a local business with a demonstrated history of providing service in the geographic area where the credit is used should also help facilitate the development and rapid deployment of new technologies, products, and services for the benefit of the public, including those residing in rural areas. Section 1.2110 (c)(4) of the Commission's DE rules defines a "rural telephone company" using language that is substantially identical to § 153 (44) of the Communications Act. The Blooston Rural Carriers would support the Commission's use of either of these definitions.

In order to further safeguard against any potential for abuse, the Blooston Rural Carriers also support establishment of a 250,000 access line eligibility threshold for the credit that is

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2 47 U.S.C. § 153 (44).

based on the total number of access lines served by the applicant and all affiliates. Otherwise, there is at least one large carrier (TDS and its affiliate US Cellular Corporation) that could qualify for the bid credit, re-creating the concerns that have plagued prior auctions. The standard Communications Act definition of "affiliate" found at § 153 (2) of the Act (and recently used in the context of the rural call completion order) would seem to provide an appropriate way to limit the availability of the credit to companies that truly need the credit, rather than large rural telephone holding companies or conglomerates.

> **(2) Affiliate**
> The term "affiliate" means a person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person. For purposes of this paragraph, the term "own" means to own an equity interest (or the equivalent thereof) of more than 10 percent.

Basing an eligibility threshold for the rural telephone company bidding credit on access lines is an appropriate and easily verifiable way to tailor the credit to companies that need it the most. It is preferable to a threshold based on gross revenues, since this would potentially raise the same complicated revenue attribution questions that have sometimes made the small business bidding credit difficult to administer. To promote the formation of partnerships among qualified rural telephone companies or rural telephone company bidding consortia, the Commission should <u>not</u> aggregate access lines served by non-affiliated rural telcos. So long as qualified rural telephone companies or their affiliates have control of the bidding entity, the bidder should be eligible for the rural telco bidding credit in areas where one of its members operates and has ETC status. To the extent that a rural telephone applicant entity has investors that are not RLECs, further restrictions are recommended below to prevent any potential for abuse.

2. Service Area Presence

Another way to target the meaningful relief provided by the rural telephone bidding credit, and to prevent abuse of the credit, would be to limit the credit's availability to geographic licenses where the applicant or one of its members has ETC status to provide wireline service. ETC status is an objective and easily-verifiable criterion for determining those geographic markets where the bidder or one of its members has "presence," while at the same time preventing the credit from being used to reduce bid price for larger urban PEAs.

3. Proposed Rule Language

As noted above, Rule Section 1.2110 (c)(4) already has a suitable definition for "Rural telephone companies," provided that the language for the rule establishing the rural telephone company bidding credit imposes a limit of 250,000 access lines for the entity seeking the credit and all affiliates. The Commission could therefore add a new subsection (4) to Rule Section 1.2110 (f) *Bidding credits* to establish the parameters of the rural telephone company bidding credit. Proposed rule language might read as follows:

> **§ 1.2110 Designated entities**
>
> (4) *Bidding credit for eligible rural telephone companies.* A winning bidder that is also a rural telephone company or rural telephone company affiliate and that serves fewer than 250,000 access lines including all affiliates will be eligible to receive a bidding credit of 25 percent for any geographic licenses that overlap with all or a portion of those geographic areas where the rural telephone company applicant or any of its investors has established eligible telecommunications carrier status. In determining an applicant's eligibility, access lines served by non-affiliated rural telephone companies shall not be aggregated. The rural telephone company bidding credit shall be in addition to, and shall not diminish, any small business or other bidding credit for which an applicant may be eligible.

C. Unjust Enrichment Provisions Applicable to Rural Telco Bid Credit

In order to ensure that the rural telephone company bid credit does not inappropriately benefit ineligible entities through aftermarket transactions, recipients of a rural telco bidding credit should be subject to the same unjust enrichment criteria that the Commission ultimately adopts for the small business bid credit. Currently, this restriction lasts five years, with reductions of the penalty over time. The Commission has discussed the possibility of revising the length and terms of the restriction in connection with this proceeding. The Blooston Rural Carriers favor retention of the current five year unjust enrichment period, and note that adoption of an unjust enrichment period of greater than seven years may create undue obstacles in attracting outside investors. The capital-intensive nature of the wireless telecom business and potential for changes in the marketplace require that investors have sufficient flexibility to respond to market changes. This includes the ability to sell licenses without penalty, if a DE finds it necessary to modify its original business plan.

To ensure that the value of the bidding credit stays with the entity that needs the credit most to help offset the high cost of constructing and operating a rural wireless network (serving large areas where there is low population density), the value of the bidding credit should be allocated pro-rata in proportion to the <u>geographic size of the partitioned license</u> compared to the original license. Assuming a more populated area was only one-tenth of the geography of a license, a partition of this area to an entity that was not also an eligible rural telephone company in that license area would require the licensee to pay back just 10% of its total bidding credit. Under this approach, a rural telco that is a winning bidder for a license that includes more developed/populated communities where it may not have a realistic ability to compete can instead partition and assign these areas to a larger entity, and use the profits derived from this transaction to help finance its buildout and service to the more expensive rural areas. Partitioning of geographic areas to other qualified rural telcos or rural telco affiliates should not require any unjust enrichment payment. To the extent that the rural telco has already met the substantive buildout requirement for the partitioned area, it should not be required to repay the federal government for any portion of the rural telco credit.

1. Proposed Rule Language

The Commission would need to add a new Rule Section 1.2111 (e) *Unjust enrichment payment: rural telephone company bidding credit* to describe how unjust enrichment would work with respect to assignment or transfer of control of a license that was obtained using a rural telco bidding credit. Suggested rule language might read as follows:

> **§ 1.2111 Assignment or transfer of control: unjust enrichment.**
>
> (e) *Unjust enrichment payment: rural telephone company bidding credit.* (1) A licensee that receives a rural telephone company bidding credit, and that during the initial term seeks to assign or transfer control of a license to an entity that does not meet the eligibility criteria for a rural telephone company bidding credit with respect to the subject license area, will be required to reimburse the U.S. Government for the amount of the rural telephone company bidding credit, plus interest based on the rate for ten year U.S. Treasury obligations applicable on the date the license was granted, as a condition of Commission approval of the assignment or transfer. No unjust enrichment payment will be required if the licensee:
>
> (A) is assigning its license to another entity that is qualified for the rural telephone company bidding credit; or
>
> (B) has already met the initial construction benchmark associated with its license the time of the proposed license transfer or assignment.
>
> (2) *Payment schedule.* (i) To the extent unjust enrichment payments are required, the amount of payments made pursuant to paragraph (e)(1) of this section will be reduced over time as follows:
>
> (A) A transfer in the first two years of the license term will result in a forfeiture of 100 percent of the value of the bidding credit;

(B) A transfer in year 3 of the license term will result in a forfeiture of 75 percent of the value of the bidding credit;

(C) A transfer in year 4 of the license term will result in a forfeiture of 50 percent of the value of the bidding credit;

(D) A transfer in year 5 of the license term will result in a forfeiture of 25 percent of the value of the bidding credit; and

(E) For a transfer in year 6 or thereafter, there will be no payment.

D. Other Measures to Prevent Abuse of Rural Telephone Company Bidding Credit

1. Cap on Rural Telephone Company Bid Credit Amount

The Blooston Rural Carriers wish to suggest other measures to ensure that a rural telephone bid credit does not create an opportunity for bid credit abuse. One such suggestion is that the Commission adopt a $10 million limit on the total rural telephone bid credit that any applicant (including its affiliates) could receive. $10 million worth of bid credits would be a significant benefit to the vast majority of rural telcos participating in a spectrum auction, since it would represent a 25% discount on bids of up to $40 million. At the same time, a $10 million limit would serve as a substantial disincentive to truly large entities that may be tempted to configure an applicant that is designed to somehow fit under the rural telephone bid credit criteria.

2. Restrictions on Certain License Assignments

Similarly, the Blooston Rural Carriers support a prohibition against assigning a license won with the rural telephone bidding credit to an investor in the applicant. This would create a further disincentive to arrangements whereby a giant carrier or investor creates a rural telephone bidding entity, and simply waits out the unjust enrichment period. It is suggested that this prohibition would last beyond the unjust enrichment period ultimately adopted by the Commission; provided, however, that the prohibition should <u>not</u> apply if assignment is to an investor that itself qualifies as a rural telephone company under the eligibility criteria discussed above.[3]

II. Revisions to Small Business Bidding Credit

In addition to adopting a rural telephone company bidding credit as discussed above, the Commission should also adopt revisions to its small business bidding credit designed to enhance its effectiveness for *bona fide* small businesses, while preventing abuses that have become all too common in recent FCC auctions.

A. Raising Gross Revenue Threshold

As noted in their initial comments, the Blooston Rural Carriers believe that the Commission should adopt an across-the-board 36.4% increase in the small business size thresholds as it proposed at Para. 56 of the NPRM. This is a necessary and non-controversial update of the Commission's Rules with the result that the new thresholds would be as follows:

- Businesses with average annual gross revenues for the preceding three years not exceeding $4 million would be eligible for a 35 percent bidding credit;
- Businesses with average annual gross revenues for the preceding three years not exceeding $20 million would be eligible for a 25 percent bidding credit; and
- Businesses with average annual gross revenues for the preceding three years not exceeding $55 million would be eligible for a 15 percent bidding credit

However, and as the Blooston Rural Carriers have previously noted, merely raising the revenue thresholds to allow more rural telephone companies and other entities to meet the definition of a "small business" (or "very small business") will be meaningless if the FCC does not at the same time close loopholes that allow "wink and a nod" DEs to partner with national carriers.

[3] In the event that an otherwise ineligible investor seeks to foreclose on a wireless operation that includes spectrum that was obtained with the rural telephone bid credit, it could use a trustee to obtain the operation through an involuntary assignment and sell the operation to an eligible third party (if it wishes to maintain the value of the bid credit).

B. Modifications to AMR Rule

1. Impose Restrictions on Leasing or Wholesaling to Certain Investors

With respect to the small business bidding credit, the Blooston Rural Carriers support a prohibition against leasing or wholesale arrangements involving licenses acquired with the use of a small business bidding credit back to an investor in the applicant or any affiliates of the investor. This prohibition should last beyond the initial license buildout deadline, and would help discourage the type of arrangements that have drawn fire from the industry and Capitol Hill following the AWS-3 auction. The Commission should also continue to restrict DEs from leasing spectrum acquired with bid credits to nationwide wireless carriers under the AMR rule (discussed further below).

However, the Commission should recognize that auction relationships between *bona fide* rural telephone companies with less than 250,000 subscriber lines benefit the public interest, and do not pose any threat to the integrity of the auction process. Therefore, such relationships should be exempt from the material relationship restrictions, and should be exempt from attribution in general.

2. Restrictions on Assignment of Licenses to Certain Investors

The Blooston Rural Carriers also support a prohibition against assigning licenses acquired with the use of a small business bidding credit back to an investor in the applicant. This restriction should last beyond the unjust enrichment period, to discourage future DISH-type relationships; provided, however, that the prohibition should not apply if the license is being assigned to an investor that itself qualifies as a small business at the time of the license assignment.

3. Other Proposed Attribution Rule Changes

Paragraph 10 of the Commission's *Further Comment Notice* seeks input on a variety of proposed revisions to the small business revenue attribution rule, including multiple proposals from the Blooston Rural Carriers. Comments on these proposals are provided below, in order:

a. **Modification to types of equity arrangements available to a DE:**

1. **Attributing 10% or greater investors:** AT&T proposes that the revenues of any 10% or greater investor would be counted against a small business DE. The Blooston Rural Carriers believe that this approach is too restrictive. In prior auctions, groups of legitimate small businesses and/or rural telephone companies have been able to successfully participate by utilizing an ownership/capital formation structure utilizing the Commission's recognized insulation criteria. This approach would be threatened by AT&T's proposal, thereby limiting rural telephone company flexibility and bidding in future auctions.

2. **Restricting investments from nationwide/regional carriers and/or other large companies**: As indicated in their comments, the Blooston Rural Carrier support a restriction on leasing spectrum to nationwide carriers that have invested in the applicant/licensee. They can further support a restriction on large regional carriers, and other large companies that participate in the telecommunications industry.

3. **Rebuttable presumption that 50% or greater equity amounts to de facto control**: The Blooston Rural Carriers would support a rebuttable presumption that any 50% or greater equity holder has *de facto* control; provided, however, that properly insulated passive investors should not be lumped together to determine a 50% or greater interest.

b. **25% minimum equity for DE controlling interest:** The Blooston Rural Carriers oppose a requirement that the controlling partner/member of a DE applicant hold at least 25% of the applicant's equity. In prior auctions, groups of rural telephone companies have formed insulated partnerships or LLCs in which the managing partner/member held a less-than-25% equity stake – usually because there were more than four telco participants in the arrangement. Such wider participation should be encouraged, and is likely necessary due to the larger geographic license size that the Commission has adopted for the Broadcast Incentive Auction.

c. **Dollar cap on maximum bidding credits:** With respect to the small business bidding credit, the Commission should adopt an aggregate $25 million limit on the total bid credits that an applicant or any of its affiliates could garner in a single auction. $25 million worth of bid credits would be a significant benefit to the vast majority of small businesses and entrepreneurs participating in a spectrum auction, since it would represent a 25% discount on bids of up to $100 million. At the same time, a $25 million limit would serve as a substantial disincentive to truly large entities that may be tempted to configure an applicant that is designed to qualify for small business status.

d. **Limit total amount a DE can bid:** The Blooston Rural Carriers do not support arbitrary dollar limits on the total amount that a DE can bid. This approach would go against the well-established economic principle that a license available for auction should go to the entity that values it most.

e. **Limit population that DE can bid on:** The Blooston Rural Carriers likewise do not support arbitrary population limits on DE bidding. Reasonable caps on maximum bid credits available, as discussed above, should be sufficient.

f. **Director exemption:** The Commission should be cautious before narrowing the scope of the affiliation to exclude the gross revenues of directors or family members merely because they are "unlikely to exercise control over the applicant entity." Moreover, the current kinship affiliation rules already provide that a presumption of control among family members may be rebutted. Unlike the director exemption for rural telephone cooperatives, the officers and directors of privately held companies often have significant ownership interests and other indicia of control.

g. **Non-Attribution of Gross Revenues Arising From Certain Rural Telco Cellular General Partnership Interests:** The Commission is asking for comment on the proposal of the Blooston Rural Carriers to clarify that rural telephone companies will not lose small business DE status because they may hold a fractional interest in a cellular partnership that was established long before the FCC's auction rules and DE program were put in place. In particular, the Commission can take official notice that in the early days of cellular licensing, rural telephone companies were often pulled into settlement agreements under the B-Block (*i.e.*, wireline) cellular licensing process. Most of the settlements resulted in the creation of a partnership, in which the rural telephone company (or companies) held a fractional partnership interest. All members of the partnership were deemed "general partners" in many of these settlement arrangements, even though the partnership was managed by a dominant member with plenary power to control the day-to-day operations. Subsequent acquisitions involving most of these partnerships have resulted in the managing member being a nationwide carrier such as Verizon or AT&T. While the participating rural telephone company with its fractional equity interest is nominally a general partner, it lacks the ability to control the partnership's day-to-day operations and/or strategy in any significant way. Therefore, it is respectfully submitted that the Commission should not disqualify rural telephone companies from eligibility for small business bid credits by requiring the attribution of the gross revenues of the cellular partnership against them.

4. Proposed Rule Language – Rural Telco Cellular Partnership Interests

In order to implement the gross revenue attribution exception proposed by the Blooston Rural Carriers, the Commission would need to amend Rule Section 1.2110 (b) *Eligibility for small business and entrepreneur provisions* by adding a new paragraph (v) under subsection (3) *Exceptions* –

> **§ 1.2110 Designated entities**
>
> (v) *Cellular partnership interests held by rural telephone companies*
>
> In determining an applicant or licensee's eligibility for small business bidding credits, an applicant or controlling interest that qualifies as a rural telephone company under paragraph (c)(4) of this section will not be required to include the gross revenues of a cellular partnership in which it holds a minority general partnership interest for the purpose of attribution in §1.2110(b)(1) if the following conditions are met:
>
> (A) the partnership was established as part of the cellular settlement process for rural wireline carriers established by the Commission in CC Docket No. 85-388;
>
> (B) the applicant or controlling interest is not a managing partner of the cellular partnership; and
>
> (C) there is a clearly identifiable manager that has plenary authority over day-to-day operations of the cellular partnership.

III. The Commission Should Adopt Rural Telco Partitioning Incentives

In addition to the creation of rural bid credits to enhance the chances of a rural telephone company being a successful bidder, the Blooston Rural Carriers urge the Commission to adopt an auction mechanism that would encourage larger carriers to facilitate rural telco participation in the provision of wireless services. This mechanism should allow a winning bidder to deduct from its auction purchase price the *pro rata* value of any area partitioned to a rural telephone company or cooperative that meets the objective definition of such terms discussed above, so long as the partitioned area includes all or a portion of the rural carrier's service area. Thus, the larger carrier would be compensated twice for making spectrum available in rural areas – a discount on its final auction payment, plus whatever payment it is able to negotiate with the rural carrier. The Commission should allow parties to negotiate these arrangements before the filing of the short-form application; during the auction; and after the close of the auction but before the final payment is made. In all cases, the parties would have to comply with the Commission's anti-collusion rules. If the Broadcast Incentive Auction is anything like the recent AWS-3 auction and bidding is dominated by nationwide carriers, providing incentives for these entities to enter into partitioning arrangements with rural carriers would be a reasonable way to ensure that rural telephone companies have an opportunity to participate in the provision of 600 MHz band service. As described above, rural telephone companies and rural telco affiliate companies were successful in bidding for just 25 of 1,614 available licenses in Auction 97, and only two of these licenses were for EAs. The Commission's use of Partial Economic Area (or "PEA") service areas for licensing of the 600 MHz band rather than Cellular Market Areas (or "CMAs") is only likely to make the prospect of a rural carrier winning an initial 600 MHz license for its geographic area that much more difficult.

In the event that the Commission adopts the partitioning incentive discussed above, it should consider enhancing the effectiveness of this mechanism by increasing the value of the discount based on the population density of the partitioned area. Thus, if the partitioned area has a population density under 100 persons per square mile, the winning bidder could deduct the pro rata value of that area; if the partitioned area has a population density under 50 persons per square mile, the winning bidder could deduct one and a half times the pro rata value of that area; and if the partitioned area has a population density under 25 persons per square mile, the winning bidder could deduct double the pro rata value of the area. Thus, if an applicant has placed a winning bid of $1 million and proposes to partition an area with 10% of the license's population to a rural telco, the bidder would receive a 10% bid price reduction (i.e., $100,000) if the population density of the partitioned area was under 100; but if the population density was under 25, it would double the price reduction (i.e., $200,000).

CONCLUSION

The Blooston Rural Carriers respectfully request that the Part I competitive bidding rules be modified as described above, in order to provide rural telephone carriers with a meaningful opportunity to participate in spectrum auctions and the provision of important wireless services to their rural subscribers.

Respectfully submitted,

THE BLOOSTON RURAL CARRIERS

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Dated: May 14, 2015

ATTACHMENT A

Blooston Rural Carriers

All West Communications, Inc. .... Kamas, UT
BEK Communications Cooperative .... Steele, ND
Butler-Bremer Communications .... Plainfield, IA
Choctaw Telephone Co. .... Halltown, MO
Citizens Telephone Company .... Higginsville, MO
Custer Telephone Cooperative, Inc. .... Challis, ID
Delcambre Telephone Company LLC .... Delcambre, LA
Dumont Telephone Company .... Dumont, IA
Electra Telephone Co. .... Electra, TX
Emery Telcom-Wireless, Inc. .... Orangeville, UT
FMTC Wireless, Inc. .... Nora Springs, IA
Golden West Telecommunications Cooperative, Inc. .... Wall, SD
Haxtun Telephone Co. .... Haxtun, CO
Jefferson Telephone Company .... Jefferson, IA
Kennebec Telephone Company .... Kennebec, SD
Ligonier Telephone Company, Inc. .... Ligonier, IN
Manti Telephone Company .... Manti, UT
Marne & Elk Horn Telephone Co. .... Elk Horn, IA
Midstate Communications, Inc. .... Kimball, SD
MoKan Dial, Inc. .... Louisburg, KS
Northeast Florida Telephone .... Macclenny, FL
Peñasco Valley Telephone Cooperative .... Artesia, NM
Polar Communications Mutual Aid Corporation .... Park River, ND
Pymatuning Independent Telephone Company .... Greenville, PA
Silver Star Telephone Company, Inc. .... Freedom, WY
Smithville Telephone Company, Inc. .... Ellettsville, IN
Star Telephone Company .... Maringouin, LA
South Dakota Telecommunications Association .... Pierre, SD
Table Top Telephone Company, Inc. .... Ajo, AZ
Tatum Telephone Co. .... Tatum, TX
The Ponderosa Telephone Co. .... O'Neals, CA
Triangle Communication System, Inc. .... Havre, MT

Uintah Basin Electronic Telecommunications, LLC
d/b/a Strata Networks.. Roosevelt, UT

Venture Communications Cooperative, Inc...................................... Highmore, SD

Walnut Hill Telephone Co. .... Lewisville, AR

Webster-Calhoun Cooperative Telephone Association .... Gowrie, IA

Whidbey Telephone Company .... Langley, WA

Winnebago Cooperative Telecom Association.................................. Lake Mills, IA