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July 8, 2015

Via ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: EX PARTE PRESENTATION

WT Docket No. 14-170: *Updating Part 1 Competitive Bidding Rules*

GN Docket No. 12-268: *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*

RM-11395: *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*

WT Docket No. 05-211: *Implementation of the Commercial Spectrum Enhancement Act and Modernization of the Commission's Competitive Bidding Rules and Procedures*

Dear Ms. Dortch,

On July 6, 2015, Erin Fitzgerald of Bennet & Bennet, PLLC, representing SRT Communications, Panhandle Telephone Cooperative, Inc., Copper Valley Telephone Cooperative, Nemont Telephone Cooperative, Inc., Pine Belt Telephone Company, Inc., and Central Texas Telephone Cooperative, Inc. ("CTTC") (together the "Rural Carriers"), had separate meetings with Commissioner Jessica Rosenworcel and Policy Advisor Valery Galasso; Jessica Almond, Acting Legal Advisor to Chairman Tom Wheeler; and Brendan Carr, Legal Advisor to Commissioner Ajit Pai, to express support for a 25% rural service provider bidding credit. The Rural Carriers expressed appreciation that the needs of rural wireless carriers are being viewed as a priority in the Chairman's Designated Entity ("DE") bidding proposals, and urged that the currently proposed 15% rural carrier bidding credit be increased to 25%. This credit increase is needed in order to level the playing field for rural carriers, and to give them a meaningful opportunity to win highly sought-after low-band spectrum.

The Rural Carriers discussed the poor rural carrier bidding results in the AWS-3 auction (Auction 97). Though over 50% of Auction 97 bidders were rural carriers, these rural bidders were largely shut out, winning just 25 licenses out of more than 1,600.¹ Significantly, rural bidders received less than \$1 million of more than \$3 billion in bidding credits awarded in Auction 97. The Rural Carriers further explained how an affiliate of CTTC – a bidder that was ineligible for a small business bidding credit in Auction 97, and that would also be ineligible under the proposed new revenue thresholds – was outbid by a Special Purpose DE that qualified for a 25% bidding credit. Special Purpose DEs can be designed from the ground up to qualify for maximum bidding credits – their disclosed revenue levels bear no relation to their access to funds to procure spectrum. Rural telephone companies and cooperatives, on the other hand, are long-established businesses that have any of a number of affiliates and pre-existing operations that cannot be restructured to meet the small business maximum revenue thresholds. Unlike Special Purpose DEs created for the express purpose of garnering bidding credits, the Rural Carriers are facilities-based service providers with existing networks that must be maintained at significant expense. Access to a 25% bidding credit would have allowed a company like CTTC to bid on more equal footing against Special Purpose DEs in Auction 97. For the Incentive Auction, adoption of a 25% rural provider credit will increase participation and help the Commission ensure licenses are distributed to a wide variety of applicants – both of which will promote overall competition in the wireless industry going forward.

In addition to ensuring bidding credit parity between rural carriers and Special Purpose DEs, increasing the rural service provider credit from 15% to 25% will provide rural carriers and their subscribers a much better chance for success when bidding against larger nationwide and regional carriers. Simply put, nationwide and regional carriers have access to tremendous amounts of capital to invest in spectrum licenses. Rural carriers' access to capital is more limited, and a 25% rural provider credit will help these carriers to upgrade their existing networks and provide more robust services to rural America. The importance of a 25% rural provider credit is underscored by the disappointing rural bidder results in Auction 97, an auction in which bidders specifically had the opportunity to bid on smaller geographic license areas (Cellular Market Areas (“CMAs”)). Without question, the Incentive Auction will be more challenging to rural bidders than Auction 97 because license sizes will be based on Partial Economic Areas (“PEAs”), which are significantly larger than CMAs, and therefore will be much more expensive to purchase and build out than CMAs. Finally, a 25% rural service provider bidding credit is all the more necessary because AT&T and/or Verizon will be eligible to bid for 600 MHz “reserve” spectrum in many rural markets. Indeed, AT&T, Verizon, or both are reserve eligible in most of the country – 74 percent of the nation’s geography and 40 percent of the nation’s POPs.² If the Commission ultimately does not adopt a limit on the amount of reserve spectrum that any one competing bidder may acquire, a 25% bidding credit will be even more crucial to help rural service providers compete for reserve spectrum.

On the topic of bidding credit caps, the Rural Carriers expressed their continued support for a \$10 million cap on the rural service provider credit, and a \$10 million ceiling on the amount of bidding credits that any entity can use in smaller PEA markets, consistent with Chairman Wheeler’s current DE bidding proposal. A \$10 million cap in conjunction with a 25% credit would allow rural service providers and rural bidding consortia to receive the full amount of the credit on gross bids of up to \$40

¹ See Comments of the Blooston Rural Carriers, WT Docket No. 14-170, at Attachment B (Feb. 20, 2015).

² See *Ex Parte* Letter from Rebecca Murphy Thompson, General Counsel, Competitive Carriers Association, to Marlene H. Dortch, Secretary, Federal Communications Commission, at p. 1 (July 1, 2015) (with attached chart showing PEAs in which AT&T and/or Verizon are reserve eligible).

million, while the \$10 million ceiling on the use of bidding credits in smaller markets (*e.g.*, PEA markets with 500,000 POPs or less) should help level the playing field for *bona fide* rural bidders competing against entities that want to pursue smaller PEA markets as an investment strategy. The use of the caps, along with a 25% rural provider bidding credit, will promote the objectives of Section 309(j) of the Communications Act, which include avoiding excessive concentration of licenses, disseminating licenses among a wide variety of applicants, and the deployment of services to rural areas.³

Pursuant to Section 1.1206 of the Commission's Rules, 47 C.F.R. § 1.1206, this *ex parte* presentation is being filed electronically with the Office of the Secretary.

Sincerely,

/s/ Erin P. Fitzgerald

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Counsel to SRT Communications, Panhandle Telephone Cooperative, Inc., Copper Valley Telephone Cooperative, Nemont Telephone Cooperative, Inc., Pine Belt Telephone Company, Inc., and Central Texas Telephone Cooperative

cc (via email):

Commissioner Jessica Rosenworcel
Valery Galasso
Jessica Almond
Brendan Carr

³ 47 U.S.C. § 309(j).