

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

In the Matter of)	
)	
Service Rules for the 698-746, 747-762 and 777-792 MHz Bands)	WT Docket No. 06-150
)	
Revision of the Commission’s Rules to Ensure Compatibility with Enhanced 911 Emergency Calling Systems)	CC Docket No. 94-102
)	
Section 68.4(a) of the Commission’s Rules Governing Hearing Aid-Compatible Telephones)	WT Docket No. 01-309

To: The Commission

**REPLY COMMENTS OF
THE RURAL TELECOMMUNICATIONS GROUP, INC.**

The Rural Telecommunications Group, Inc. (“RTG”),¹ by its attorneys, hereby replies to the comments submitted in response to the *Notice* in the above-captioned proceedings.² RTG also expresses its support for the Balanced Consensus Plan for reconfiguring the 700 MHz Band (the “BalCon Plan”) filed today in WT Docket No. 06-150.

¹ RTG is a Section 501(c)(6) trade association dedicated to promoting wireless opportunities for rural telecommunications companies through advocacy and education in a manner that best represents the interests of its membership. RTG’s members have joined together to speed delivery of new, efficient, and innovative telecommunications technologies to the populations of remote and underserved sections of the country. RTG’s members are small, rural businesses serving or seeking to serve secondary, tertiary and rural markets. RTG’s members are comprised of both independent wireless carriers and wireless carriers that are affiliated with rural telephone companies.

² *Service Rules for the 698-746, 747-762 and 777-792 MHz Bands*, WT No. 06-150, Notice of Proposed Rulemaking, *Revision of the Commission’s Rules to Ensure Compatibility with Enhanced 911 Emergency Calling Systems*, CC Docket No. 94-102, Fourth Further Notice of Proposed Rulemaking, *Section 68.4(a) of the Commission’s Rules Governing Hearing Aid-Compatible Telephones*, WT Docket No. 01-309, Second Further Notice of Proposed Rulemaking, FCC 06-114 (rel. Aug. 10, 2006) (“*Notice*”).

The comments in this proceeding reflect strong support for modification of the service area size for geographic licenses yet to be auctioned in the Lower and Upper 700 MHz bands (collectively “700 MHz”). Specifically, a broad array of parties support licensing some of the 700 MHz spectrum on the basis of smaller geographic areas including Metropolitan Statistical Areas (“MSAs”) and Rural Service Areas (“RSAs”) (collectively Cellular Market Areas (“CMAs”)) and/or Economic Areas (“EAs”) rather than solely on the basis of Economic Area Groupings (“EAGs”) or Regional Economic Area Groupings (“REAGs”).³ These commenters recognize that offering the licenses in a balanced and mixed band plan will: 1) encourage participation by a wide array of applicants; 2) promote the rapid deployment of new and innovative services; 3) promote competition; and, 4) result in an efficient and successful auction. Licensing 700 MHz on the basis of a mixture of geographic license areas will advance the statutory goals of promoting economic opportunity and competition, and of disseminating licenses across a wide variety of applicants. As Aloha Partners, L.P. stated, “The offering of licenses in different market sizes is the single most critical step the Commission can take to make the upcoming 700 MHz auction a successful one.” Aloha Comments at pp. 1-2.

Recognizing the benefits of licensing 700 MHz in varying sized geographic areas, and being willing to work to resolve the matter quickly, numerous parties have worked together to craft a compromise band plan. RTG supports this resulting BalCon Plan. The plan offers a mix of different sized geographic areas, with the paired spectrum being licensed in approximately the same size spectrum blocks (i.e., ten or twelve megahertz blocks). This plan will: 1) result in

³ See, e.g., Comments of MetroPCS Communications, Inc. (“MetroPCS Comments”) at pp. 10-14; Comments of the National Telecommunications Cooperative Association (“NTCA Comments”) at pp 5-6; Comments of United States Cellular Corporation (“USCC Comments”) at pp. 3-9; Comments of Leap Wireless International, Inc. (“Leap Comments”) at pp. 4-6; Comments of Rural Cellular Assoc. (“RCA Comments”) at pp. 4-7.

greater auction efficiency (by allowing bidders to target their spectrum acquisitions or to aggregate licenses as they choose); 2) encourage the greatest number of companies to participate in the auction (thus promoting competition and innovation); and, 3) encourage the deployment of service to rural areas (by de-linking some of the rural areas from urban areas and allowing small and rural entities to pursue those licenses).

RTG supports the BalCon Plan, and remains willing to work with the signatories and other parties to forge broad industry support for a revised 700 MHz band plan. RTG stresses, however, that the most essential element of the plan is licensing the Lower 700 MHz B block on a CMA basis. This revision to the existing 700 MHz band plan, originally proposed in RTG's comments in support of the *RCA Petition*,⁴ was widely supported in the comments in this proceeding.⁵ This change in the existing band plan will promote the deployment of advanced services to rural areas and will allow small and rural companies that previously acquired 700 MHz C block licenses a realistic opportunity to acquire additional spectrum to provide bandwidth hungry advanced services. RTG also strongly supports licensing a second band on a CMA-basis and dividing the current Upper 700 MHz D block and licensing some of this spectrum on the basis of smaller geographic areas as proposed in the BalCon Plan and numerous comments. *See, e.g.*, USCC Comments at pp 4-7.

As numerous commenters report, the propagation characteristics and resulting expected lower construction costs of deployment, make 700 MHz ideal for providing service to rural and

⁴ *See* RTG Comments in GN Docket No. 01-74 and WT Docket No. 99-168 (filed Sep. 27, 2005) (“*Supporting Comments*”), filed in support of a petition of the Rural Cellular Association (“RCA”), Petition To Institute Review and Modification of the Size of Service Areas for Geographic Licensing for the Lower and Upper Bands of 700 MHz Spectrum Not Yet Auctioned, in GN Docket No. 01-74 and WT Docket 99-168 (filed July 29, 2005) (“*RCA Petition*”).

⁵ *See, e.g.*, MetroPCS Comments at pp. 10-14; USCC Comments at pp. 4-5; Leap Comments at p. 5; RCA Comments p. 7.

underserved areas. *See, e.g.*, Aloha Comments at pp. 2-3. The Commission should therefore ensure that small and rural companies that have a strong interest in providing service to rural areas have a realistic opportunity to acquire licenses for such areas.

Verizon Wireless and Cingular oppose auctioning the 700 MHz spectrum in anything other than gigantic EAGs or REAGs. This position is not surprising because auctioning the spectrum on such a basis substantially decreases the number of entities against which these incumbent, nationwide cellular carriers will have to compete for the spectrum. Licensing the 700 MHz bands exclusively on the basis of EAGs/REAGs will significantly reduce the number of entities that can and will participate in the auction. Such an approach would benefit the few large incumbent, nationwide cellular carriers, to the detriment of new entrants and developing mobile competitors, and accordingly, would stifle competition and innovation.

In their comments, both Cingular and Verizon raise the specter of delays and transaction costs associated with acquiring licenses in the secondary market if the FCC auctions the 700 MHz licenses on the basis of areas smaller than EAGs or REAGs.⁶ This argument, however, is a red herring. Unlike cellular spectrum (which was awarded through lotteries), 700 MHz will be auctioned. Accordingly, there is no need for Cingular and Verizon to have to acquire spectrum in the secondary market in order to aggregate licenses if they so desire.

As SpectrumCo clearly demonstrated in the AWS auction, if Cingular and/or Verizon value a license most highly, then it is completely in their power to acquire such license in the auction. SpectrumCo's success clearly indicates that a bidder can aggregate smaller licenses into

⁶ *See* Comments of Verizon Wireless (“Verizon Comments”) at pp. 4-5; Comments of Cingular Wireless (“Cingular Comments”) at p. 7.

a nationwide footprint when it so desires.⁷ If, however, Cingular or Verizon do not value an individual license (say Burlington, Vermont) the most highly, then RTG is at a loss as to why the Commission would want to award it to them merely because it comes attached to New York City and the company that highly values the Burlington license cannot afford (and does not want) the license for NYC.

RTG notes that for Verizon and Cingular, the 700 MHz is not a unique green field which would have higher value if they acquire a nationwide license than if they only acquire regional or individual licenses. Both companies have significant AWS and CMRS spectrum holdings generally (particularly at 850 MHz), to which they will augment 700 MHz as needed. Thus a package of 700 MHz licenses is not going to be significantly more valuable than individual licenses targeted where needed.

The incumbent, nationwide cellular carriers aside, there is substantial support for revising the 700 MHz band plan and licensing the spectrum in a mix of geographic areas, including CMAs and EAs. This approach will result in the greatest market efficiency and public benefit.

Finally, while RTG believes that licensing spectrum on the basis of smaller license areas is critical to encouraging small business participation and the deployment of services to rural and underserved areas, as NTCA correctly notes, it is not a panacea. *See* NTCA Comments p. 8. NTCA therefore recognizes the need for the Commission to set aside 700 MHz blocks for bidding exclusively by designated entities. *See id.* pp. 8-10. Other parties with a substantial interest in ensuring the deployment of services to rural and underserved areas also recognize the need for the FCC's adoption of a keep what you use licensing approach. *See* Comments of

⁷ RTG continues to strongly oppose any use of package or combinatorial bidding. SpectrumCo's success in the AWS auction undermines the need for such highly complicated and costly auction mechanism.

Vermont Department of Public Service *et al.* at pp. 8-10. RTG encourages the Commission to set aside some spectrum for designated entities and to adopt a mechanism to ensure that an entity that truly desires to provide service in a rural area can obtain the license/right to do so from a licensee that is not providing such service.

CONCLUSION

For the reasons stated herein and in RTG's comments, the Commission should adopt the BalCon plan and license an additional two blocks of 700 MHz spectrum on the basis of CMAs. The Commission also should license some 700 MHz blocks as entrepreneurs blocks restricted to rural and small entities and new entrants. Finally, the Commission also should adopt a triggered "keep what you use" licensing mechanism to ensure that entities that truly desire to provide service to rural areas will have access to spectrum to do so.

Respectfully Submitted,

**RURAL TELECOMMUNICATIONS
GROUP, INC.**

By: _____/s/_____

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