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April 4, 2007

VIA ECFS

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, SW, TW-A325
Washington, DC 20554

Re: Ex Parte Presentation
WT Docket Nos. 06-150, 06-169, 96-86, 05-265 and 00-139
PS Docket No. 06-229

Dear Ms. Dortch:

Pursuant to Section 1.1206 of the Commission's ex parte rules, 47 C.F.R. §1.1206, this letter is to notify you that on April 3, 2007 representatives of United States Cellular Corporation ("USCC"), Professor Robert J. Weber, J. L. Kellogg Graduate School of Management, Northwestern University, Joseph R. Hanley, Vice President - Technology Planning and Services, Telephone and Data Systems, Inc., Grant B. Spellmeyer, Director - External Affairs, USCC, and me, met with the following members of the Wireless Telecommunications Bureau: Jane E. Jackson, Associate Bureau Chief, Walter D. Strack, Bureau Chief Economist, Margaret W. Wiener, Division Chief, Auctions & Spectrum Access Division, and Martha Stancill, Industry Economist, Auctions & Spectrum Access Division, to discuss issues arising in the above-referenced proceedings including:

Package Bidding Issues

- U.S. Cellular opposes use of a package auction format, which would allow the largest bidders to distort the appropriate balance of small and large licenses under the Balanced Consensus Plan. Small bidders face the "threshold problem" for which a clean solution has yet to be proposed.
- Critical details of a "limited" package bidding auction have not yet been publicly discussed. Depending on what attempt is made to fill in the details, bidders for individual licenses will face either (a) the risk of reactivation of their dormant, but potentially winning bids, as a result of activity on other licenses in a package, or (b) a new "coordination" problem resulting from the need to simultaneously submit

prospectively-losing bids on parts of a package. The stakes are simply too high to use package bidding for the 700 MHz auction.

Anonymous Bidding Issues

- U.S. Cellular supports use of transparent bidding with traditional information disclosures in the auction of Upper and Lower 700 MHz bands. Small bidders face the same disadvantages under blind bidding that they would have faced in Auction 66. Blind bidding would compound the risk that already attends development of a new band. “Strategic dependency” on large carriers (roaming, infrastructure, devices, making a market for 3G/4G applications) means that large carrier bids provide essential real-time valuation information for small bidders. Blind bidding potentially complicates the financing of small bidders, who already face a short timeframe to prepare for the auction.

See also the attached meeting handout. In the event there are questions regarding this matter, please contact the undersigned.

Sincerely,



George Y. Wheeler

cc via e-mail:

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**Ex Parte Discussion
Upper and Lower 700 MHz Band Plan (WT Dkt No 06-150)**

April 3, 2007

Achieving Fair Licensing Opportunities for 700 MHz



- *U.S. Cellular Position - Balanced Consensus Plan*
- The present 700 MHz band plan devotes too much spectrum to very large EAG licenses. Although this band is particularly well-suited for rural use, smaller and rural-focused providers cannot afford to compete with industry giants for these super-regional, EAG-sized licenses. Unless the FCC reconfigures the 700 MHz band plan, small and regional wireless carriers will be foreclosed from bidding on the remaining available licenses and from competing for customers in the marketplace. Alternative providers increase the number of choices available to consumers in all markets, especially during this period of industry consolidation. For this reason, the FCC recently revised its band plan for the Advanced Wireless Services spectrum auction at 1.7 and 2.1 GHz to permit more opportunities for small and regional carriers.
- Such a change would be consistent with the FCC's recognition of the need to make affordable spectrum blocks available to carriers serving rural markets, including regional carriers, small wireless providers, and new entrants. Regional and smaller wireless providers tend to concentrate on markets other than the largest metropolitan areas, bringing new and innovative services to previously underserved areas and rural Americans.
- The 700 MHz band plan should be reconfigured to afford bidding opportunities on multiple spectrum blocks and with a variety of geographic license areas to allow carriers with a variety of business plans to aggregate spectrum from adjacent blocks and to acquire overlapping or adjacent service areas to meet their coverage needs.
- In the FCC's successful Advanced Wireless Services (AWS) auction, many of the 168 eligible bidders were small and regional wireless companies and new entrants, and 153 of these bidders never bid on the super-regional REAG licenses offered.
- Auctioning licenses for smaller service areas is also a valuable proposition for the U.S. Treasury because a mix of smaller and larger service area sizes has been shown to enhance competition among bidders. While several different factors go into the valuation process, an analysis of prior auctions demonstrates that smaller license areas earn high bids and, in the aggregate, increase total auction proceeds.
- Although U.S. Cellular would find additional RSA/MSA licenses the most helpful for the 700 MHz band, any service area size smaller than EAGs would be preferable for the regional and smaller wireless carriers. In addition to the license sizes previously auctioned in this band, the FCC could also use EAs, with 176 licenses nationwide. To optimize the availability of different-sized licenses and to ensure deployment in different-sized communities (including rural and underserved areas), the FCC should consider using a combination of RSA/MSAs, EAs, and REAGs similar to the revised band plan it used in the recent AWS auction at 1.7 and 2.1 GHz, which raised over \$13 billion.

- ***U.S. Cellular Position - Package Bidding Issues***
- **Package bidding procedures are controversial, complex, largely untested and unfamiliar to bidders. This may discourage participation, especially by smaller, less sophisticated bidders. The stakes are simply too high to use package bidding for the 700 MHz auction.**
- **U.S. Cellular opposes use of a package auction format, which would allow the largest bidders to distort the appropriate balance of small and large licenses under the Balanced Consensus Plan. Small bidders face the “threshold problem” for which a clean solution has yet to be proposed.**
- **Critical details of a "limited" package bidding auction have not yet been publicly discussed. Depending on what attempt is made to fill in the details, bidders for individual licenses will face either (a) the risk of reactivation of their dormant, but potentially winning bids, as a result of activity on other licenses in a package, or (b) a new "coordination" problem resulting from the need to simultaneously submit prospectively-losing bids on parts of a package. The stakes are simply too high to use package bidding for the 700 MHz auction.**

- *U.S. Cellular Position - Anonymous Bidding Issues*
- **U.S. Cellular supports use of transparent bidding with traditional information disclosures in the auction of Upper and Lower 700 MHz bands. Small bidders face the same disadvantages under blind bidding that they would have faced in Auction 66. Blind bidding would compound the risk that already attends development of a new band. “Strategic dependency” on large carriers (roaming, infrastructure, devices, making a market for 3G/4G applications) means that large carrier bids provide essential real-time valuation information for small bidders. Blind bidding potentially complicates the financing of small bidders, who already face a short timeframe to prepare for the auction.**

- *U.S. Cellular Position - Performance, Negotiation and Renewal Requirement issues, E911 and HAC issues*
- U.S. Cellular supports extending E911 and HAC obligations to licensees in the band. However, the FCC should not alter existing Part 27 performance requirements and renewal standards. U.S. Cellular supports continued use of "substantial service" performance requirements or, alternatively, the adoption of safe harbors such as those proposed by Verizon Wireless in its January 31, 2007 ex parte submission in WT Docket No. 06-150, i.e., safe harbor coverage on or before renewal, (1) of at least two-thirds of the population of the license area is covered, (2) of 75% of the geographic areas of at least 20% of the rural areas in its licensed area or (3) of other qualifying coverage in FCC enumerated rural or underserved areas.
- *U.S. Cellular Position - Guard Band Interference Issues*
- U.S. Cellular also supports possible reconfiguration of 700 MHz Guard Band spectrum to meet the twin goals of protecting Public Safety and of not adversely impairing use of the commercial bands to be auctioned.

Achieving Fair Licensing Opportunities for 700 MHz



- *U.S. Cellular Position - Frontline*
- **U.S. Cellular opposes adoption of the Frontline's proposed service rules (1) because its proposed nationwide license would all but eliminate competitive bidding for this spectrum and disrupt flexible bidding and aggregation opportunities under the Balanced Consensus Plan for others in the auction, (2) because the adoption of service rules which would restrict spectrum use to Frontline's unique business plan violate longstanding Commission policies supporting competitive neutrality and flexible uses in those rules, and (3) because the administratively sound way to achieve the benefits in other substantive areas of Frontline's proposals is to address them in rulemaking proceedings, in the case of roaming, for example, in the Commission's longstanding automatic roaming proceedings in WT Docket Nos. 05-265 and 00-193.**