

**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
)	
Biennial Regulatory Review – Amendment of Parts 1, 22, 24, 27, and 90 to Streamline and Harmonize Various Rules Affecting Wireless Radio Services)	WT Docket No. 03-264
)	
Former Nextel Communications, Inc. Upper 700 MHz Guard Band Licenses and Revisions to Part 27 of the Commission's Rules)	WT Docket No. 06-169
)	
Implementing a Nationwide, Broadband, Interoperable Public Safety Network in the 700 MHz Band)	PS Docket No. 06-229
)	
Development of Operational, Technical and Spectrum Requirements for Meeting Federal, State and Local Public Safety Communications Requirements Through the Year 2010)	WT Docket No. 96-86

To: The Commission

COMMENTS OF THE RURAL TELECOMMUNICATIONS GROUP, INC.

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SUMMARY

Due to its propagation characteristics, 700 MHz spectrum represents the best means for RTG's rural carrier members to bring high quality advanced broadband services to the rural areas they currently serve. However, in order for RTG members and other small and rural carriers to be able to take advantage of the opportunity to acquire such spectrum, the FCC must adopt band plans with sufficiently small geographic license areas for such carriers to feasibly acquire. Accordingly, RTG urges the Commission to adopt two specific band plans contemplated by the FNPRM.

RTG supports the Commission's proposal to license the Lower 700 MHz B Block on the basis of Cellular Market Areas ("CMAs"). Licensing the Lower 700 MHz B Block on a CMA basis will satisfy the Commission's statutory mandate under Section 309(j) of the Communications Act by ensuring small and rural telephone companies a realistic opportunity to acquire 700 MHz spectrum. Licensing the B Block on a CMA basis will also afford companies with adjacent C block licenses the opportunity to take advantage of the efficiencies in holding spectrum in both blocks, enabling them to bring more bandwidth intensive services to their customers.

RTG strongly supports adoption of Proposal #2 for licensing the Upper 700 MHz Commercials Services Band and that proposal's licensing of the C block on the basis of CMAs. Any band plan that does not provide for licensing of CMAs will benefit only the large incumbent wireless carriers, thereby stifling competition. Licensing the Upper 700 MHz C block based on CMAs will allow for more targeted spectrum acquisition and result in greater efficiencies for both large and small applicants, while not discriminating in favor of any single business plan.

RTG supports the adoption of interim performance benchmarks for newly auctioned 700 MHz licenses. Because of the additional time required for buildout in rural areas, RTG proposes that RSA licensees be exempt from the three and five year interim buildout requirements. RTG proposes the use of a bright line test for measuring the geographic service area that must be covered. RTG also urges the Commission to adopt a "use it or lose it" licensing approach based on the existing regulatory approach for licensing cellular unserved areas.

RTG opposes the imposition of any type of eligibility restrictions on incumbent local exchange carriers, incumbent cable operators or large wireless carriers. Such restrictions would undermine the FCC's goal of getting spectrum into the hands of small and rural carriers and other new entrants, and would have the additional unintended consequence of impeding the development of equipment for use in the 700 MHz band.

Due to concerns of adjacent channel interference, RTG opposes adoption of the Broadband Optimization Plan.

RTG strongly oppose application of blind bidding or combinatorial bidding procedures to the 700 MHz auction. Such procedures will favor large carriers at the expense of small carriers and their customers.

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To: The Commission

COMMENTS OF THE RURAL TELECOMMUNICATIONS GROUP, INC.

The Rural Telecommunications Group, Inc. (“RTG”),¹ by its attorneys, hereby

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

submits its comments in response to the Further Notice of Proposed Rulemaking (“FNPRM”) in the above-captioned proceedings.²

RTG’s members are keenly interested in acquiring 700 MHz spectrum³ to enable them to bring advanced broadband services to their rural customers. The unique characteristics of 700 MHz spectrum make it particularly desirable for such purposes. The potential availability of 700 MHz spectrum represents a unique and perhaps final opportunity for rural carriers to acquire high quality broadband spectrum capable of efficient use in rural settings. Accordingly, it is critical to RTG members and their customers that rural carriers be given a realistic opportunity to acquire such spectrum. This proceeding and the rules the Federal Communications Commission (“FCC” or “Commission”) develops for the auctioning of 700 MHz spectrum will have a dramatic and longstanding effect on the rural telecommunications landscape, and RTG greatly appreciates the opportunity to comment on the proposed rule changes.

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; Revision of the Commission’s Rules to Ensure Compatibility with Enhanced 911 Emergency Calling Systems; Section 68.4(a) of the Commission’s Rules Governing Hearing Aid Compatible Telephones; Biennial Regulatory Review- Amendment of Parts 1, 22, 24, 27 and 90 to Streamline and Harmonize Various Rules Affecting Wireless Radio Services; Former Nextel Communications, Inc. Upper 700 MHz Guard Band Licenses and Revisions to Part 27 of the Commission’s Rules; Implementing a Nationwide, Broadband, Interoperable Public Safety Network in the 700 MHz Band; Development of Operational, Technical and Spectrum Requirements for Meeting Federal, State and Local Public Safety Communications Requirements Through the Year 2010*, Report and Order and Further Notice of Proposed Rulemaking, WT Docket No. 06-150, CC Docket No. 94-102, WT Docket No. 01-309, WT Docket No. 03-264, WT Docket No. 06-169, PS Docket No. 06-229, and WT Docket No. 96-86, rel. April 27, 2007 (“Order” and “FNPRM”).

³ As used herein, the 700 MHz band refers to spectrum in the 698-806 MHz band, which encompasses broadcast television channels 52-59 (“Lower 700 MHz band”) and 60-69 (“Upper 700 MHz band”).

I. THE PROPOSED RECONFIGURATION OF THE LOWER 700 MHZ BAND WILL FACILITATE SERVICE TO RURAL AREAS AND EFFICIENT SPECTRUM DISTRIBUTION AND SHOULD BE ADOPTED

RTG supports the proposed reconfiguration of the Lower 700 MHz band. In its FNPRM, the FCC proposed to adopt Cellular Market Areas (“CMAs”) as the geographic service area for licenses in the B Block (704-710 MHz and 734-740 MHz) of the Lower 700 MHz band. RTG strongly supports the licensing of the B Block on a CMA basis. This will result in the availability of 734 CMA licenses in this block as opposed to 6 Economic Area Grouping (“EAG”) licenses under the current band plan. The availability of a substantially greater number of licenses in smaller area groupings will afford small and rural carriers legitimate opportunities to acquire 700 MHz spectrum so that they may provide broadband services to rural America.

Offering the B block licenses on a CMA basis will promote the public interest by satisfying numerous licensing objectives set forth by the FCC and Congress. By modifying its 700 MHz licensing plan to license the B Block on a CMA basis, the FCC will “promote economic opportunity and competition” and ensure “that new and innovative technologies are readily accessible to the American people by avoiding excessive concentration of license and by disseminating licenses among a wide variety of applicants, including small businesses, rural telephone companies, and businesses owned by members of minority groups and women.”⁴ Indeed, small rural carriers who seek to serve customers in their rural markets will only have a realistic opportunity to acquire 700 MHz spectrum if it is licensed on a smaller license basis. Previous auctions have demonstrated what logic dictates – small and rural companies cannot successfully

⁴ 47 U.S.C. § 309(j)(3)(B).

compete for licenses auctioned on the basis of larger geographic areas such as the six EAGs or the twelve Regional Economic Area Groupings (“REAGs”) or even the 176 slightly smaller yet still quite expansive Economic Areas (“EAs”). As the results of the recent AWS auction confirm, virtually the only entities capable of acquiring licenses for large geographic areas are the large incumbent mobile carriers or affiliated entities.⁵

As the Commission notes, if it adopts its proposal to assign CMAs in the Lower 700 MHz Band B Block, licensees will be afforded the opportunity to combine the B Block license with licenses in the adjacent C Block, which have already been licensed over CMAs. This will allow existing Lower 700 MHz C Block licensees, including RTG members and other small and rural licensees, the flexibility to augment their spectrum efficiently with adjacent bandwidth for a combined 24-megahertz block of spectrum (two paired 12-megahertz blocks). This in turn will allow small and rural licensees greater flexibility to deploy bandwidth intensive services such as high-speed Internet access.

Due to technical limitations of C Block spectrum resulting from proprietary channel spacing and intra-system interference specifications as well as protection and coordination with neighboring systems deploying different services and technologies, C Block licensees will need additional bandwidth to ensure adequate throughput capacity necessary for future growth to accommodate available technologies. Licensing B Block spectrum on a CMA basis will thus not only afford small and rural licensees the opportunity to acquire desirable 700 MHz spectrum to deploy advanced services to their rural communities, it will lead to more efficient use of the spectrum by allowing those

⁵ T-Mobile and Cellco won the majority of spectrum licensed on an REAG basis. Cricket Licensee (Reaaction), Inc. and Denali Spectrum License, LLC, two bidders affiliated with Leap Wireless International, Inc., each won a ten-megahertz REAG license, and Barat Wireless, L.P., of which United States Cellular Corporation owns 90%, also won a ten-megahertz REAG license.

small and rural licensees the ability to obtain both B and C Block licenses to bring the benefits of such efficiencies to their rural customers in the form of advanced bandwidth intensive services such as high-speed Internet access, and thereby help to combat the so-called “Rural Divide”.

Moreover, it is not only rural and small companies that will benefit from licensing 700 MHz on the basis of CMAs. The use of CMAs will result in greater auction and market efficiency because it allows bidders to tailor their auction strategy and spectrum acquisitions to meet their business plans. As discussed in greater detail below, large companies also benefit from the use of CMAs because it allows them to acquire additional spectrum in urban areas (where demand is greatest and capacity most constrained) without having to acquire licenses for rural areas.

II. THE FCC SHOULD ADOPT PROPOSAL #2 IN THE UPPER 700 MHZ COMMERCIAL SERVICES BAND BASED ON ELIMINATION OF THE GUARD BAND B BLOCK AND LICENSING OF THE C BLOCK ON A CMA BASIS

The Commission in its FNPRM is considering a number of alternative band plan proposals for the Upper 700 MHz Commercial Services band. Only one of these proposals, however, will help bring the benefits of advanced services to rural communities. In this regard, RTG fully and strongly supports the adoption of “Proposal 2” as discussed herein and opposes the adoption of any other Upper 700 MHz Commercial Services Band band plan proposal set forth in the FNPRM.

Under Proposal 2, the FCC would license 34 megahertz of commercial spectrum in the Upper 700 MHz band using a mix of REAG, EA and CMA geographic licensing areas. The proposal would create two 11-megahertz licenses (each composed of two 5.5-

megahertz paired blocks) – the C and D blocks – and a 12-megahertz E block (composed of two 6-megahertz paired blocks). The Commission proposes to license the D block on an EA basis and the E block on an REAG basis, while licensing the C block on either a CMA or EA basis.

RTG strongly supports the adoption of Proposal 2 provided that the proposed C block is licensed on a CMA basis.⁶ As discussed above, the licensing of 700 MHz spectrum on a CMA basis will afford small and rural carriers a legitimate opportunity to acquire 700 MHz spectrum and thereby bring advanced broadband services to rural and unserved areas. Such a band plan will meet the statutory objectives of Section 309(j).

The propagation and other technical characteristics of the 700 MHz band make it uniquely suited for the rapid and efficient deployment of mobile and other advanced services in high cost rural areas. As RTG has previously reported, the cost of deploying systems in rural areas is considerably greater at 1900 MHz than at 850 MHz because almost twice as many sites are needed to provide the same amount of coverage. 700 MHz spectrum has even more favorable characteristics than 850 MHz and is therefore even better suited to the provision of service in rural areas. Accordingly, because providing service using 700 MHz spectrum may be cost effective where providing service using spectrum in the AWS or PCS bands may not be, carriers interested in providing service to rural areas may be shut out of the opportunity to do so if there is no opportunity to acquire licenses for small geographic areas in the upper band.⁷

⁶ Proposal 2 most closely resembles the Balanced Consensus Plan (“BalCon”), a plan widely supported by a broad industry coalition of both large and small companies, and including RTG. RTG continues to support the BalCon, but of the proposals set forth in the FNPRM, supports proposal 2, provided it includes a CMA block.

⁷ Many RTG members are seeking 700 MHz spectrum to complement their 850 MHz spectrum to provide broadband mobile services. This spectrum in the upper band is critical to such deployment in rural areas.

Any band plan that does not provide for licensing of CMAs will serve to benefit only the large incumbent wireless carriers, and will thereby stifle competition by precluding new entrants, rural carriers, minorities and women from obtaining spectrum.⁸ Indeed, based on the experience of RTG members, it is unlikely that rural carriers and other new entrants will ever be able to access spectrum once acquired by the large carriers. Large carriers have shown again and again that they are uninterested and unwilling to partition or lease the rural portions of their license areas. Simply put, from the viewpoint of a large carrier who has acquired a vast license area that includes both densely populated urban and suburban area as well as sparsely populated rural areas, the transactional costs of making such spectrum available to companies who actually intend to use it to provide service to the most rural portions of the nation nullify any economic benefits of such a transaction.

Proposal 2, if adopted with the licensing of the C Block on a CMA basis, will provide flexibility to aggregate smaller markets. Indeed, the use of CMAs will result in greater auction and market efficiency because it allows bidders to tailor their auction strategy and spectrum acquisitions to meet their business plans.⁹ For example, in the AWS auction, T-Mobile was able to bid on and acquire targeted CMA licenses without necessarily having to acquire all of the surrounding rural areas.¹⁰ The use of CMAs will

⁸ The FCC has recognized that small license areas generate opportunities for minorities to enter the telecommunications market. *Service Rules for Advanced Wireless Services in the 1.7 GHz and 2.1 GHz Bands*, Order on Reconsideration, WT Docket No. 02-353 at n. 50 (rel. August 15, 2005) (“*AWS Order*”) (noting the recommendation of the FCC Federal Advisory Committee on Diversity for Communications in the Digital Age that as a means to promote participation by minorities in emerging technology sectors of the communications industry, the Commission identify spectrum auctions whereby the licenses assigned cover small geographic areas such as MSAs and RSAs).

⁹ See *AWS Order* at par. 14 (“RSAs and MSAs allow entities to mix and match rural and urban areas according to their business plans and that, by being smaller, these types of geographic service areas provide entry opportunities for smaller carriers, new entrants, and rural telephone companies.”).

¹⁰ In the AWS auction, T-Mobile was the high bidder for 83 Metropolitan Statistical Areas (“MSAs”) and ten Rural Service Areas (“RSAs”).

allow for more targeted spectrum acquisition and result in greater efficiencies for both large and small applicants, while not discriminating in favor of any single business plan.

III. THE FCC SHOULD ADOPT PERFORMANCE REQUIREMENTS THAT ENCOURAGE BUILDOUT IN RURAL AREAS

RTG supports the concept of a “keep what you use” approach to performance requirements. RTG supports in part the modified version of the RCA recommendation proposed in the FNPRM. RTG’s modified version of this proposal is discussed below.

A. The FCC’s Proposal

The FNPRM proposes that each 700 MHz Commercial Service licensee provide coverage to 25 percent of the geographic area of the license area within three years of the grant of the initial license, 50 percent of this area within five years, and 75 percent of the area within eight years, and that government land be excluded from the relevant service area. For licensees that fail to meet these requirements, the FCC proposes that they either have their license term reduced or their license area reduced under a proportionate “keep what you use” approach. Under the latter alternative, the license area would be reduced until the area covered meets the relevant interim benchmark. For example, if a licensee employs a signal level sufficient to provide service to only 20 percent of the geographic area by the three-year benchmark, the licensee would be required to return a portion of the licensee’s unserved area to the Commission, so that the covered area equals at least 25 percent of the remaining portion of the license area.

The FCC proposed to apply its performance requirements on an EA and CMA basis only. Under such an approach, licensees with REAGs would be required to employ a signal level sufficient to provide adequate service to at least 25 percent of the

geographic area of each EA in its license area within three years, 50 percent of the geographic area of each of these EAs within five years, and 75 percent of the geographic area of each of these EAs within eight years. REAG licensees would have to demonstrate coverage for each EA within their license area. REAG licensees that fail to meet the interim requirement in any EA within their license areas would lose a portion of the geographic area of that EA, such that the coverage of the remaining portion of the EA would be sufficient to meet the relevant benchmark.

B. RTG's Proposal

RTG supports the adoption of interim performance benchmarks for REAG, EA and non-rural CMA licensees, but proposes that rural CMAs (*i.e.*, RSAs)¹¹ be exempt from the three and five year interim buildout requirements. RSAs contain purely rural areas with low population density. As such, RSA licensees require more time to buildout their networks due to the additional time and cost involved, as well as the delay in the availability of equipment to rural markets.¹² In deciding to license cellular MSAs prior to RSAs, the FCC has recognized that there is benefit to delaying the buildout of rural areas until after carriers have determined the technology and equipment with which to build out the MSA. Accordingly, RSA licensees should be given additional time in which to meet their performance requirements, and should not be subject to the interim three and five year performance benchmarks.

As discussed above, the FNPRM proposes that each 700 MHz Commercial

¹¹ CMAs include both Metropolitan Statistical Areas (“MSAs”) and Rural Service Areas (“RSAs”).

¹² If the Commission does impose interim construction benchmarks on licensees of RSAs, it should also afford such licensees a safety valve if they are unable to obtain equipment, particularly by a three-year benchmark. It is well documented that large urban carriers typically drive the market for equipment and that equipment for rural and small carriers often is not available until several years after the initial deployment by large carriers.

Service licensee provide coverage to 25 percent of the geographic area of the license area within three years of the grant of the initial license, 50 percent of this area within five years, and 75 percent of the area within eight years. RTG supports the use of the three and five year benchmarks for non-RSA license areas and the use of the eight year benchmark for all license areas. The key to the successful implementation of performance requirements that do not allow spectrum to lie fallow, however, is in defining the relevant geographic area and clarifying the consequences for licenses that fail to meet their benchmarks. Accordingly, RTG proposes the use of a bright line test for measuring service area coverage. Specifically, RTG proposes the use of a 32 dB μ V/m contour for measuring coverage of CMRS two-way broadband service and the use of a “Grade A” or “Minimum Field Strength” service contour for measuring coverage of one-way broadcast type service. For fixed broadcast service, the Minimum Field Strength, F(50,90) 48 dB μ V/m, contour has been used successfully to measure television broadcast services operating in the 700 MHz band. The 32 dB μ V/m contour is based on the cellular standard and is appropriate here due to the comparable propagation characteristics of two-way mobile systems operating at 700 MHz and 850 MHz. For two-way services in which the 32 dB μ V/m contour departs significantly ($\pm 20\%$ in the service area of any cell) from the geographic area where reliable the 2-way service is actually provided, RTG supports the dB μ V/m use of an alternative coverage contour. However, such alternative coverage submissions must be accompanied by one or more supporting propagation studies using methods appropriate for the 700 MHz frequency range, including all supporting data, calculations, and/or by extensive field strength measurement data. Accordingly, under RTG’s proposal, a 700 MHz Commercial Service EA or MSA

licensee would be required to provide coverage to 25 percent of its service area, as measured by a 32 dB μ V/m contour¹³, an alternative contour¹⁴, or F(50,90) 48 dB μ V/m contour as applicable,¹⁵ within three years, 50 percent within five years and 75 percent within eight years. RTG believes that use of these bright line tests would ensure that coverage benchmarks are actually met.

In order to ensure timely access to rural spectrum that goes unused by large nationwide carriers, it is vital that the Commission adopt an efficient mechanism for the transfer of such spectrum. Accordingly, RTG proposes that the Commission adopt a “use it or lose it” rule similar to that used for licensing unserved cellular areas.¹⁶ The cellular unserved area rules have proven successful at getting unused spectrum in rural areas into the hands of those carriers who desire to serve such areas. Under the proposed approach, on the 31st day after the expiration of each applicable benchmark, any interested party (including parties that hold licenses for other spectrum in the same geographic area) could file an application to serve any area unserved by a licensee that failed to meet its benchmark.¹⁷ The filing of these unserved area applications under Section 22.949 would specify the proposed coverage area in terms of 32 dB μ V/m contour or F(50,90) 48

¹³ 47 U.S.C. §22.911(a).

¹⁴ 47 U.S.C. §22.911(b).

¹⁵ 47 U.S.C. §73.625

¹⁶ See 47 C.F.R. § 22.949.

¹⁷ RTG agrees with the Commission that licensees be required to demonstrate their compliance with benchmarks by filing maps and other supporting documents with the Commission. Specifically, RTG proposes that at a minimum each application be required to include an Exhibit 1, service area map and Exhibit 2, technical documentation showing. The Exhibit 1 map should accurately show all base station cell site (transmitting antenna locations) locations, each base station’s calculated 32 dB μ V/m or F(50,90) 48 dB μ V/m service contours, and the entire composite service area boundary, with respect to market and county boundaries. The Exhibit 2 documentation should contain at a minimum site specific base station deployment data, the contour radial distances for each base station, and the methodology used to calculate service area boundary and the market percentage covered. Such maps and documents would be used to determine the unserved area available to interested parties. To prevent a licensee from filing inaccurate maps or documents, prospective applicants should be permitted to challenge a licensee’s claims of coverage.

dB μ V/m contour, as applicable, and the applicant would then have 12 months from the date of FCC grant of the application to buildout the proposed area, or else be subject to “use it or lose it”. Mutually exclusive applications would be subject to competitive bidding as set forth in Section 22.131. After a Phase I period, any remaining unserved area would be available pursuant to procedures similar to the Commission’s cellular unserved area Phase II procedures. Once a licensee has met its eight year benchmark, it would no longer be subject to a “use it or lose it” rule. An initial licensee would be eligible to bid on spectrum that it previously held as part of its original license.¹⁸

This “use it or lose it” approach, combined with the brightline test for service area measurement,¹⁹ will be far simpler to implement and administer than the proportional reduction in service area approach contemplated by the FNPRM, while bringing the same intended benefits of encouraging and facilitating the provision of service to underserved rural areas.

IV. THE FCC SHOULD NOT IMPOSE RESTRICTIONS ON INCUMBENT ELIGIBILITY

RTG opposes the imposition of any type of eligibility restrictions on incumbent local exchange carriers (“ILECs”), incumbent cable operators or large wireless carriers.

¹⁸ The FNPRM asks whether allowing parties that hold licenses for other spectrum in the same geographic area to acquire the unused spectrum of another licensee or allowing an initial licensee to be eligible to bid on spectrum that it previously held as part of its original license will promote service to the unserved area or result in a loss of potential competition. RTG believes that maximizing the eligibility of parties to serve unserved area will promote service in these unserved areas. To preclude such entities from the ability to provide service to such areas will only hinder competition. Because of the relative undesirability of serving these areas, as evidenced by the initial licensee’s decision not to choose such area, there are likely to be very few entities interested in applying to serve such area. Imposing eligibility restrictions on the aforementioned entities could potentially result in no parties serving such areas, a result clearly at odds with the Commission’s pro competitive policies.

¹⁹ RTG notes that under the FCC’s cellular rules, alternative service coverage showings may be filed if the licensee believes that its proposed 32 dB μ V/m contour differs significantly from its actual coverage. RTG believes that such alternative coverage showings should also be permitted by licensees seeking to meet their benchmarks provided such alternative showings are adequately supported.

The FNPRM seeks comment on a proposal to exclude ILECs, incumbent cable operators, and large wireless carriers from eligibility for licenses in the 700 MHz band, as well as several alternative eligibility restrictions such as a limitation of eligibility to structurally separate affiliates and a limitation on eligibility for Upper 700 MHz C Block licenses to parties not affiliated with existing wireline broadband service providers. Many RTG members are ILECs who would be prevented from bidding on 700 MHz licenses under such proposals. Such an eligibility restriction would totally undermine the Commission's stated goal in this proceeding of getting such spectrum into the hands of small and rural carriers and other new entrants. Rural wireline carriers and their affiliates represent the predominant class of entity interested in bringing advanced broadband services to rural areas. An eligibility restriction on ILEC participation would serve no public interest purpose.

RTG also notes that limiting participation in the auction may have the unintended consequence of impeding the development of equipment for use in the 700 MHz band. Large ILECs and incumbent cable operators were prevented from participating in the LMDS auction, and almost ten years after initial licensing of LMDS licenses, there is no widescale deployment of point-to-point LMDS equipment and virtually no deployment of point-to-multipoint LMDS services or equipment. With the large amount of spectrum to be auctioned in the 700 MHz band, there is no compelling reason to limit the types of participants.

V. THE BROADBAND OPTIMIZATION PLAN SHOULD NOT BE ADOPTED

RTG supports the Commission's tentative decision not to adopt the Broadband

Optimization Plan (“BOP”). RTG is concerned that, without a guardband between the Lower 700 MHz C Block and Upper 700 MHz C Block, there is a risk of adjacent channel interference to the Lower 700 MHz C Block licensee. The risk of such interference will greatly diminish the value of that spectrum, as well as undermine the efficiencies to be gained by licensees of contiguous B and C Block spectrum.

VI. THE FCC SHOULD NOT APPLY BLIND BIDDING OR COMBINATORIAL BIDDING PROCEDURES TO THE 700 MHZ AUCTION

A. Blind Bidding Procedures Will Unduly Disadvantage Small and Rural Bidders

RTG strongly opposes the use of “blind bidding” procedures (also referred to by the Commission as “limited information” or “anonymous bidding” procedures) in the upcoming auction of new 700 MHz licenses. Absent information regarding the identities of competing bidders, it is impossible for small carriers to make rational bidding decisions. Due to their heavy dependence upon roaming, rural carriers are uniquely dependent on knowledge of bidder identity in their neighboring markets in order to formulate a rational spectrum acquisition plan. Because of their dependence on roaming revenue, rural carriers must often make technological and business decisions based on the equipment and technologies used by their much larger urban neighbors in order for them to be able to offer their customers, who typically rely on roaming services to a greater extent than customers of nationwide carriers, technically compatible roaming. Accordingly, the attractiveness of certain rural markets is greatly affected by the roaming behavior of neighboring carriers, many of which have historically forbidden “in-region” automatic roaming. Without information on the identity of bidders for neighboring

markets, it is impossible for rural carriers to reasonably place a value on auctionable spectrum.

Blind bidding will not enhance competition in the upcoming 700 MHz auction. To the contrary, it will impede competition. Withholding bidder information will harm only those carriers, such as RTG members, without the resources to identify bidders based on their auction behavior. While blind bidding will leave rural carriers “in the dark”, the large nationwide carriers and other deep-pocketed auction participants will be able to afford the type of “night vision goggles” provided by the retainer of scores of economists and auction behavioral analysts who can microanalyze and macroanalyze the bidding behavior of other auction participants and determine with reliability the identities of such entities based on their bidding behavior.

The harm to small rural carriers caused by blind bidding will not serve the public interest, and is not consistent with the Commission’s statutory mandate to disseminate licenses to rural areas and to ensure that a wide variety of applicants, including rural carriers, can access new technologies such as those that will be provided using 700 MHz spectrum. Lacking information on bidder identity, rural carriers will have no choice but to temper their bidding, and as a result, their prospects for auction success will be greatly diminished. Adoption of blind bidding will only serve to favor large carriers at the expense of small carriers and their customers.

B. The Commission Should Not Utilize Combinatorial Bidding

In the FNPRM, the Commission seeks comment on whether it should license certain blocks using combinatorial bidding in order to facilitate the aggregation of a nationwide footprint. Specifically, the Commission seeks comment on licensing the REAG blocks on a combinatorial

basis under the First and Second Additional Proposal Based on Modified Guard Bands.²⁰

RTG opposes the use of combinatorial bidding in the 700 MHz auction for any blocks of spectrum. The use of combinatorial bidding would add unnecessary complexity and cost to the 700 MHz auction. Using combinatorial bidding would make it much more difficult for small and medium sized bidders—who depend on relationships with larger partners—to develop and execute 700 MHz bidding strategies. Combinatorial bidding would add increased risk and uncertainty for small companies who lack the resources to hire game theorists to handle their auction participation.

Combinatorial bidding is not necessary to allow a bidder to aggregate a nationwide footprint. As SpectrumCo demonstrated in the Auction No. 66, a bidder can successfully aggregate a nationwide footprint from areas much smaller than the six REAGs that cover the continental United States. If a bidder wants to aggregate a nationwide footprint using the REAG licenses, it will be a simple matter to do so. Moreover, with at least sixty megahertz of commercial spectrum up for auction, a bidder will have ample opportunity to aggregate licenses, from different blocks if necessary, to aggregate a large footprint, *if* such bidder most highly values the spectrum.

* * * * *

²⁰ See FNPRM at ¶¶ 202, 206

For the foregoing reasons, RTG respectfully requests that the Commission act in accordance with the views expressed herein.

Respectfully submitted,

**RURAL TELECOMMUNICATIONS GROUP,
INC.**

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