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July 2, 2007

VIA ECFS

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

Re: Ex Parte Presentation
Docket Nos. 06-150, 06-229, 03-264, 94-102, 98-96, 01-309

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 July 2, 2007 representatives of United States Cellular Corporation ("USCC") including Leroy T. Carlson, Jr., Chairman of USCC, Joseph R. Hanley, Vice President–Technology, Telephone and Data Systems, Inc., Grant B. Spellmeyer, Director-External Affairs, USCC, Ivan A. Schlager and the undersigned met with Commissioner Michael J. Copps and his legal advisor, Bruce Gottlieb, to discuss issues covered in USCC written submissions in the above-referenced proceedings.

A copy of the USCC written presentation is attached.

In the event there are questions regarding this matter, please contact the undersigned.

Sincerely,

George Y. Wheeler

cc via e-mail:

michael.copps@fcc.gov
bruce.gottlieb@fcc.gov

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Ex Parte Discussion
700 MHz Band (WT Dkt No 06-150)

July 2, 2007

Building on the Success of Auction 66

The Commission's use of a balanced band plan, transparent bidding, and a standard SMR format helped make Auction 66 one of the most diverse, competitive, and highly successful spectrum auctions ever.

The Commission should stick with this winning formula for the 700 MHz auction by:

- *Adopting its proposed lower 700 MHz band plan and proposal 2 for the upper 700 MHz band.*
- *Adopting a traditional non-package SMR format for the entire auction.*
- *Adopting transparent bidding with traditional information disclosures.*
- *Adopting meaningful, but reasonable performance requirements.*
- *Rejecting the Frontline proposal to set aside 10MHz of spectrum with rules tailored for a single company and business plan.*

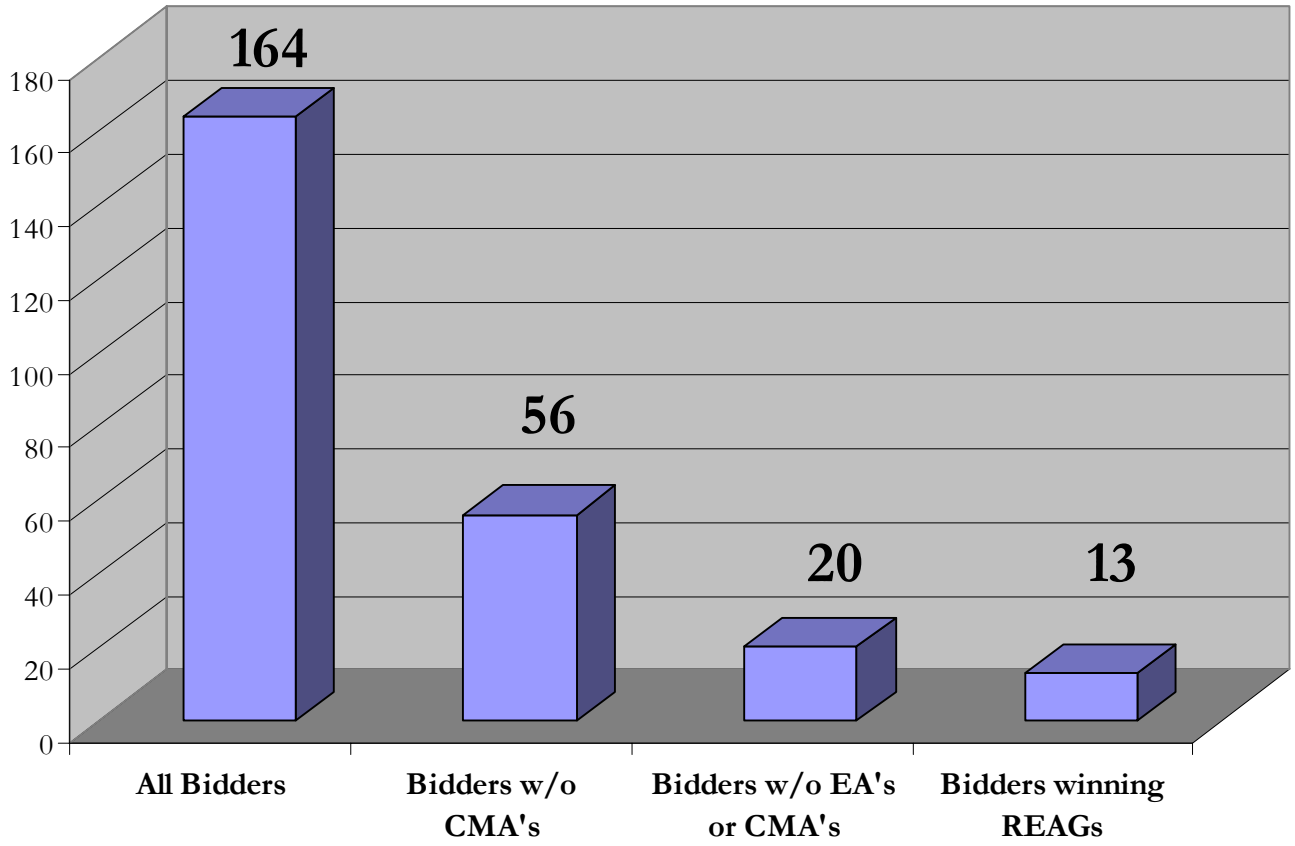
The Importance of Small License Areas

The Commission has correctly identified the importance of small geographic areas to producing a fair, efficient, and competitive auction with a broad base of participation. CMAs and EAs …

- *are the only license areas accessible to smaller bidders, including companies with a track record of providing service to rural communities.*
- *help regional operators better overlay and intelligently expand their market footprints.*
- *provide larger companies with the ability to augment their spectrum in locations where the need is greatest.*
- *Provide spectrum-constrained companies of all sizes with the "clean spectrum" they may need to deploy 4G services.*
- *provide bidders with maximum flexibility in aggregating spectrum to meet individual business plan requirements. Licenses spectrally sized at 2x5 MHz, 2x5.5 MHz, or 2x6 MHz also promote this flexibility.*
- *provide vital market entry opportunities for smaller companies.*

The Example of Auction 66

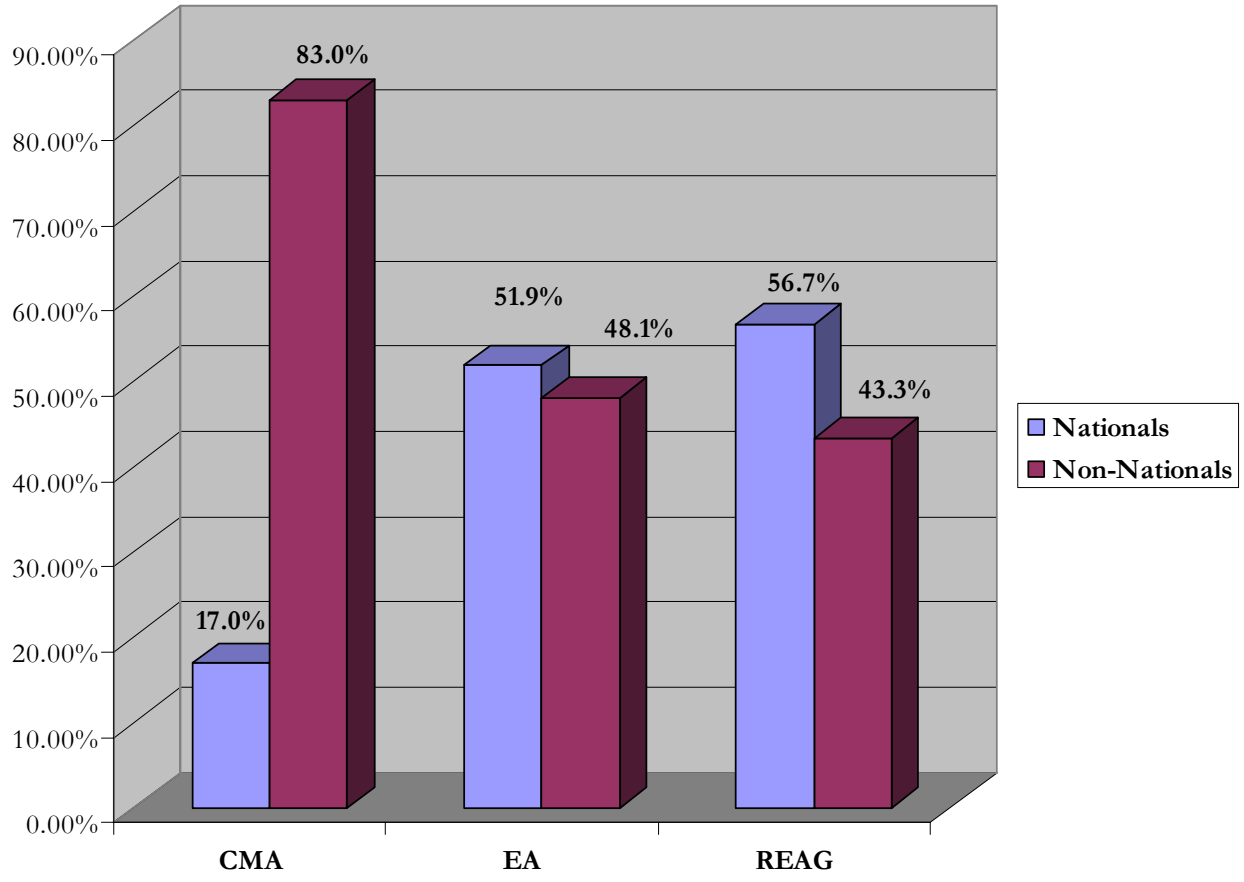
Had the Commission not used CMAs and EAs in Auction 66, the number of participants and winning bidders might have been much more limited.



Auction 66 – Number of Potential Bidders with Reduced CMA and EA Opportunities

The Example of Auction 66

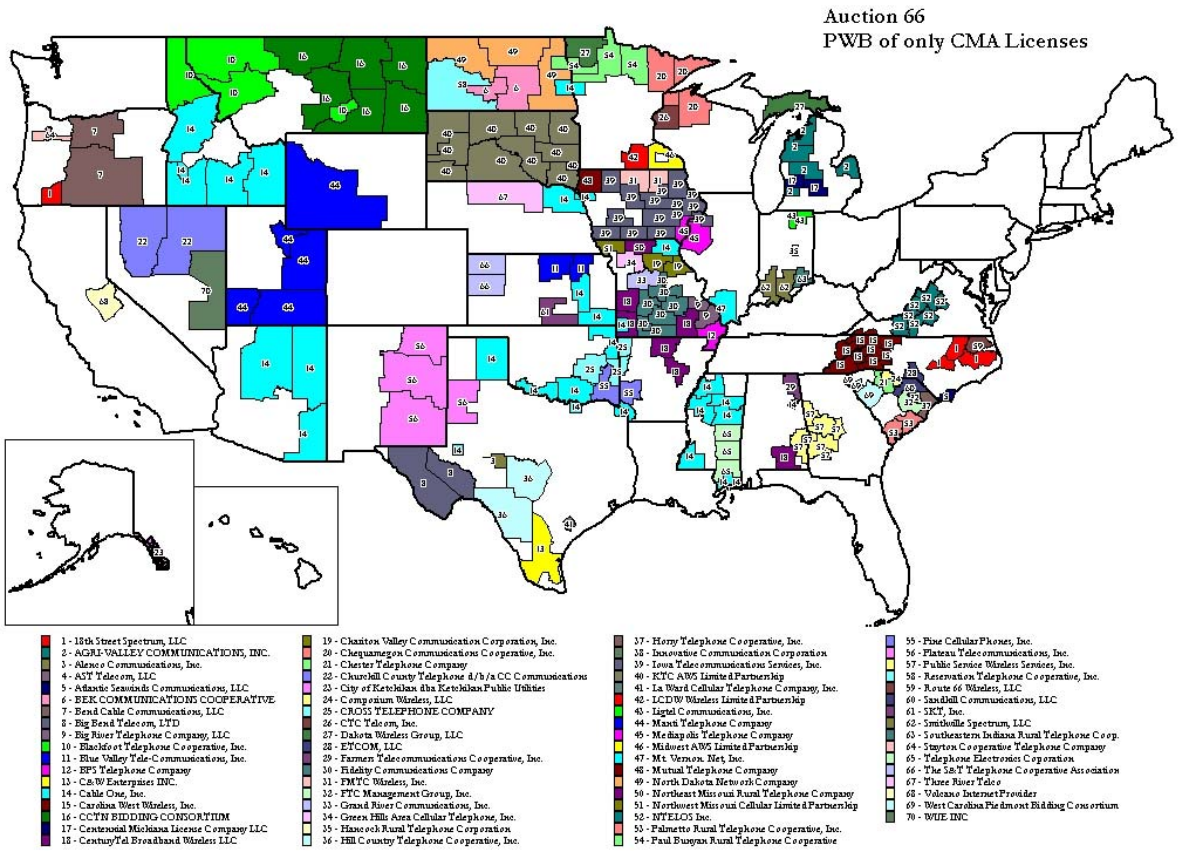
Nationals (including the top 3 incumbents and Sprint-affiliated SpectrumCo) won a majority of REAG and EA licenses, but non-nationals were very successful winning CMA licenses.



Auction 66 – Percentage of Licenses Won By Nationals vs. Non-Nationals

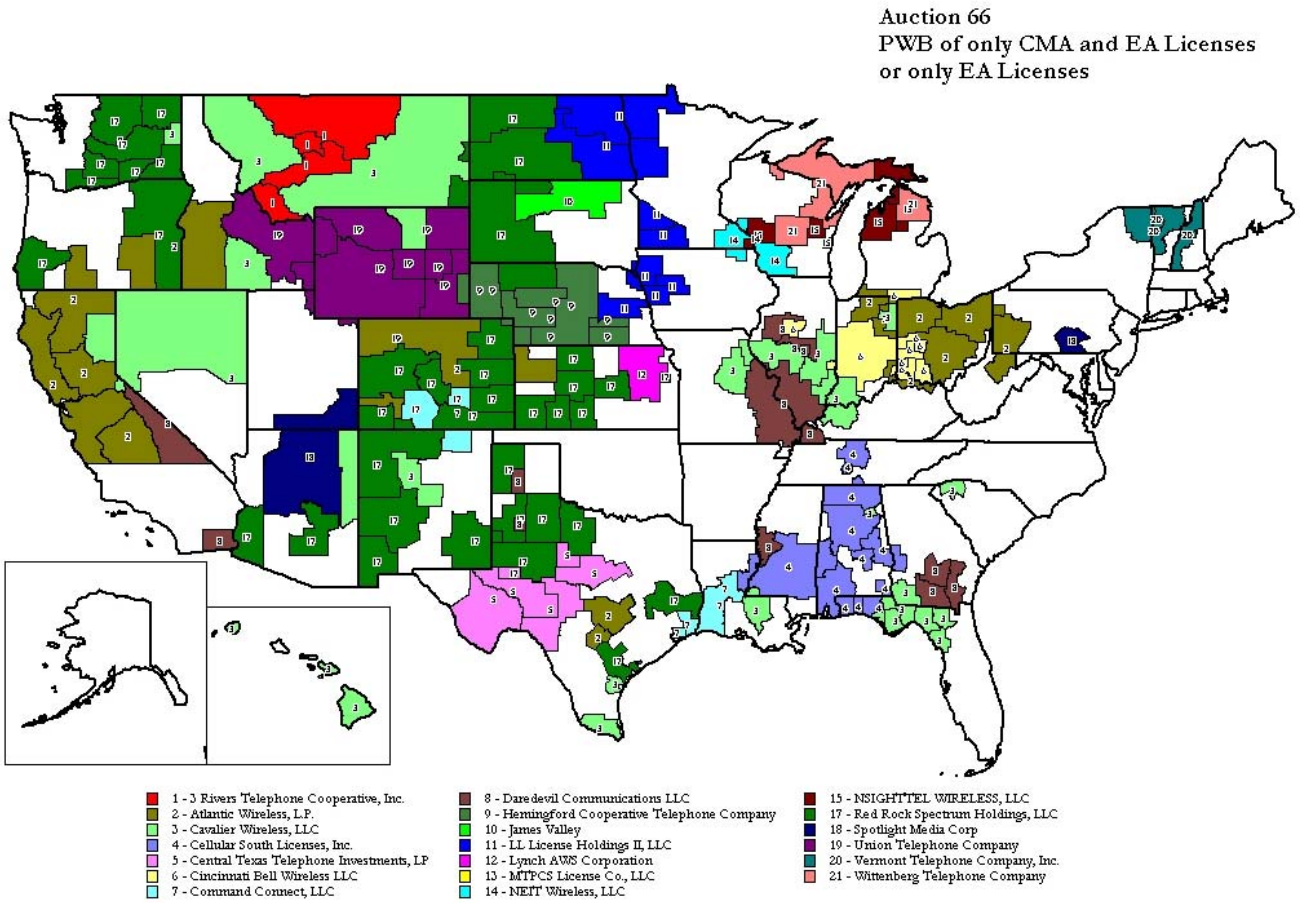
The Example of Auction 66

70 winning bidders in Auction 66 won only CMA licenses.



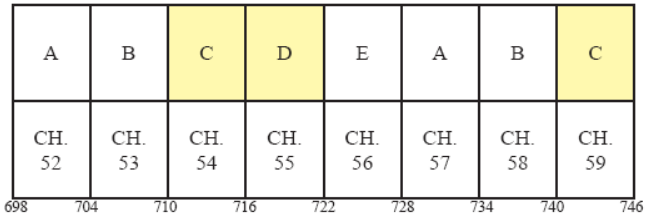
The Example of Auction 66

21 winning bidders in Auction 66 won only on EA licenses or won both EA and CMA licenses, but not REAG licenses.



The Importance of Small License Areas

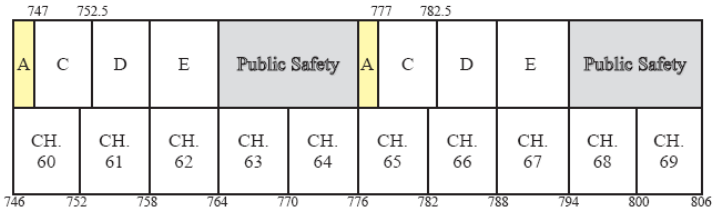
We support the inclusion of four non-REAG license opportunities in the 700 MHz band plan, *with at least two of them being CMAs*. Accordingly, the Commission should adopt its proposed Lower 700 MHz band plan and should adopt Proposal 2 (with the CMA option) for the Upper 700 MHz band). This approach enjoys a broad base of support and implements the Balanced Consensus Plan advocated by U.S. Cellular and 20 other interested parties.



Block	Frequencies	Bandwidth	Pairing	Area Type	Licenses
A	698-704, 728-734	12 MHz	2 x 6 MHz	EA	176
B	704-710, 734-740	12 MHz	2 x 6 MHz	CMA	734
C	710-716, 740-746	12 MHz	2 x 6 MHz	CMA	734*
D	716-722	6 MHz	unpaired	EAG	6*
E	722-728	6 MHz	unpaired	REAG	12

*Blocks have been auctioned.

Lower 700 MHz Band Plan Proposal



Block	Frequencies	Bandwidth	Pairing	Area Type	Licenses
A	762-763, 792-793	2 MHz	2 x 1 MHz	MEA	52*
B	*762-764, 792-794*	*4 MHz*	*2 x 2 MHz*	*MEA*	*52*‡*
C	747-752.5, 777-782.5	11 MHz	2 x 5.5 MHz	CMA or EA	734 or 176
D	752.5-758, 782.5-788	11 MHz	2 x 5.5 MHz	EA	176
E	758-764, 788-794	12 MHz	2 x 6 MHz	REAG	12

*Blocks have been auctioned.
‡42 of 52 licenses nationwide held by FCC, *remaining licenses potentially grandfathered.*

Upper 700 MHz Band Plan Proposal Two

Traditional SMR Auction Format Is Still The Best

Package bidding would introduce problems rather than solve them. There are numerous material issues with package bidding that remain unresolved and a serious public debate beyond the typical public notice procedures is essential to address such complex and controversial matters.

- *Small bidders face the "threshold problem"** for which a clean solution has yet to be proposed. Package bidding applied to small license areas would negate the opportunities created by small license areas and would concentrate 700 MHz spectrum in the hands of a few bidders. Regional bidders vying for REAGs face a similar threshold problem when competing against a national package of REAGs.*
- *The complexity of managing bids and eligibility in a hybrid package auction (one involving both package and non-package license blocks) would be difficult to administer for even the largest bidders; for smaller bidders it would be a tremendous burden.*
- *Package bidding procedures are controversial, complex, largely untested and unfamiliar to bidders. Past software glitches demonstrate the vulnerability of the bidding system. At best, this complexity will discourage participation by smaller bidders, at worst it will cause the auction to fail or miss the statutory deadline for deposit of auction proceeds (June 30, 2008).*
- *The withdrawal by EchoStar from Auction #66 is not convincing evidence of an "exposure problem" and any such claim is contradicted by the example of the aggregation of AWS-1 licenses by SpectrumCo.*

**** The" threshold problem" is the version of the "free rider problem" that small bidders face in collectively outbidding a single, unified package bidder. No single bidder on an individual license has the incentive (or usually the ability) to make up the entire gap.**

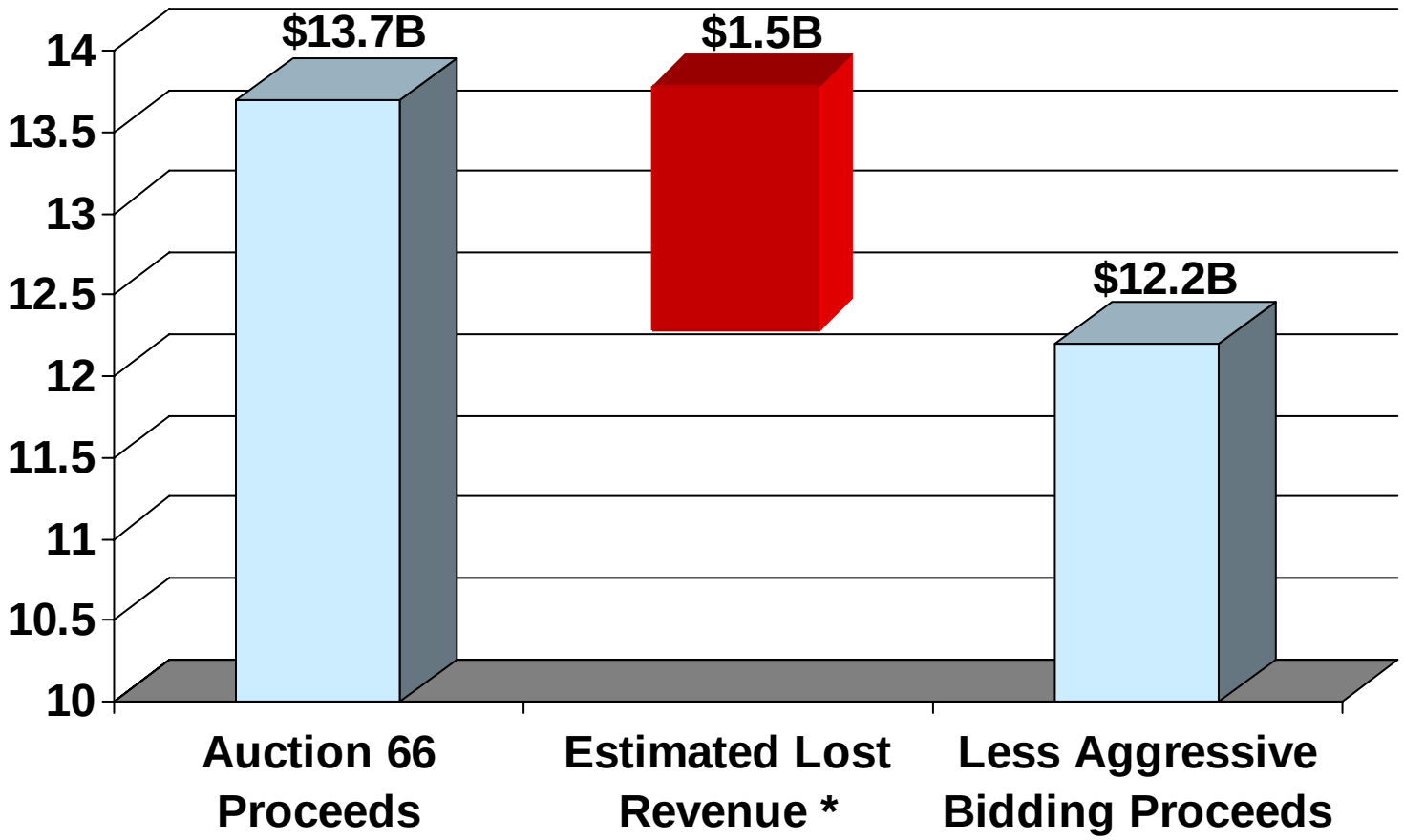
Open, Transparent Bidding Is the Fairest System

The 700 MHz auction should be conducted without anonymous bidding or the Commission should use a lower eligibility ratio as its threshold condition for information disclosure.

- *Auction 66 just barely met the 3.0 eligibility ratio test and yet it was a highly competitive, diverse and successful auction. If anonymous bidding is to be considered, we propose a ratio of 2.5 for the 700 MHz auction.*
- *Small bidders face the same disadvantages under anonymous bidding that they would have faced in Auction 66.*
  - *Development of a new band requires the collective commitment and scale of credible operators who can drive development of infrastructure, devices and applications.*
  - *"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. This drives small bidder confidence, active participation, and ultimately a diverse group of winners.*
  - *In anonymous auctions, large bidders can invest in auction consultants and sophisticated systems that model probable bidder landscapes, while smaller bidders are truly "driving blind."*
  - *Anonymous bidding potentially complicates the financing of small bidders, who could already face a short timeframe to prepare for the auction.*

Auction 66 – a Hypothetical Example

Estimated pro forma impact of limited information disclosure on Auction 66 results.



We examined the bidding history for all 1,122 licenses in Auction 66.

•Assuming non-national bidders made one fewer bid due to uncertainty of limited information disclosure

Buildout Requirements Should Be Robust But Reasonable

The Commission should not adopt geographically based performance requirements or a "keep what you use" rule. It should adopt a substantial service standard as it has with other bands governed by Part 27.

- *The wireless industry is a great success for American consumers. The investment that has fueled that success has been stimulated by flexible performance standards that the Commission has evolved over the past two decades.*
- *A reasonable renewal expectancy is also crucial. The proposed buildout rules, based on geographic coverage, are contrary to that understanding and are not based on any evidence in the record of carrier failure to deploy networks as economic realities permit.*
- *A geographic standard will be difficult to administer because 1) one standard applicable to several digital signal formats will need to be developed; and 2) there will be problems measuring service over water and determining which "government lands" are to be excluded from the measurement.*
- *Applying different rules on different frequency bands creates incentives for spectrum deployment decisions based not on sound economic and engineering considerations, but rather on the need to "save" 700 MHz licenses.*

The Frontline Proposal is Flawed and Bad Policy

The Commission should reject the Frontline proposal

- *It is bad public policy to tailor service rules to the business plan of a single company.*
- *The restrictions placed on the "E" block would effectively remove 10 MHz of valuable 700 MHz spectrum from competitive bidding and have "cascade effects" on other licenses in the auction.*
- *Important issues like automatic roaming and open access should be settled on their own merits in separate proceedings already initiated by the Commission.*
- *It is very doubtful whether the Frontline wholesale business model will work. The FCC's recent experience with the "Band Manager" concept, which is now abolished, says it will not.*

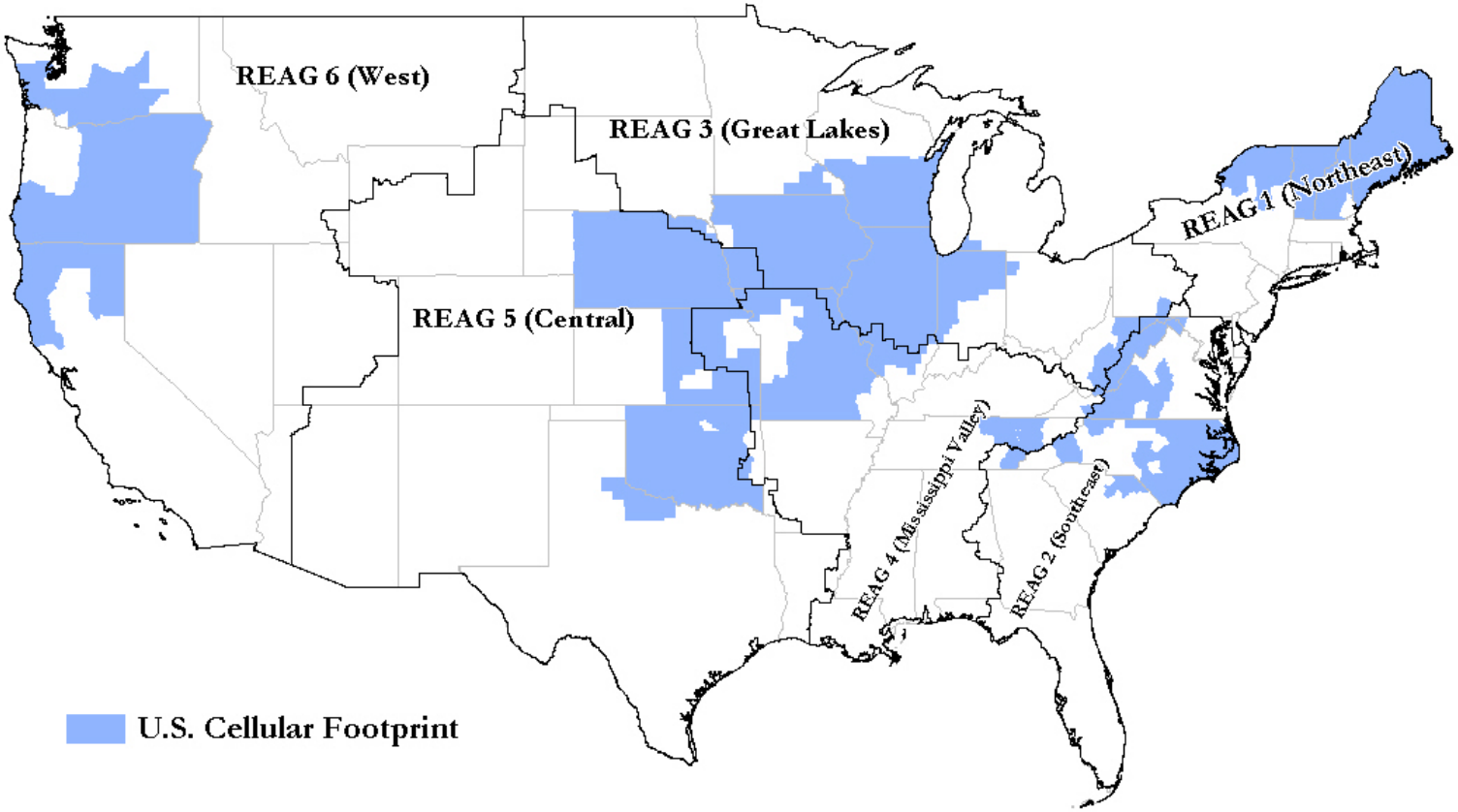
Conclusion

The Commission has a great opportunity to continue the momentum of Auction 66 as it now prepares to auction the highest quality spectrum ever made available for CMRS. The Commission should:

- *Adopt its proposed lower 700 MHz band plan and adopt proposal 2 for the upper 700 MHz band.*
- *Adopt a traditional SMR format (without package bidding) for the entire auction.*
- *Adopt transparent bidding with traditional information disclosures.*
- *Adopt meaningful, but reasonable performance requirements.*
- *Reject the Frontline proposal to set aside 10MHz of spectrum.*

About U.S. Cellular

- *Regional wireless carrier based in Chicago and serving both urban and rural areas*
- *6 million customers in 26 states served by 8,000 associates*
- *$3.5B in operating revenues (2006)*
- *Successful customer satisfaction-focused strategy - results demonstrated by very low churn rates and high third party customer satisfaction ratings*
- *A recent new entrant into*
  - *Chicago (2002)*
  - *Oklahoma City (2004)*
  - *Lincoln (2004)*
  - *Portland, ME (2004)*
  - *St. Louis (2005)*

U.S. Cellular Operations and REAG Boundaries

REAG Boundaries