

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)
)
Public Notice Requesting Comment on)
Competitive Bidding Procedures for Auction) AU Docket No. 07-157
of 700 MHz Licenses Scheduled for)
January 16, 2008 (Auction 73))
)

Comments of
United States Cellular Corporation

United States Cellular Corporation ("USCC"), by its attorneys, submits comments in response to the Public Notice "Auction of 700 MHz Licenses Scheduled for January 16, 2008 - Comment Sought on Competitive Bidding Procedures for Auction 73," released by the Wireless Telecommunications Bureau ("Bureau") on August 17, 2007 (DA 07-3415) ("Public Notice").

USCC commends the Bureau for pursuing improvements to its spectrum auction rules and for inviting comment on the Auction 73 proposals under consideration. As it considers its procedures for this auction, the Bureau must account for the extraordinary amount of change involved and the disproportionate burden that change and complexity will place on smaller and regional bidders.

The Bureau's Public Notice confirms the considerable scope and complexity of the changes proposed to be made from the conventional simultaneous multi-round ("SMR") bidding procedures used in prior auctions. As described in the Bureau's Public Notice, Auction 73 is proposed to be conducted using anonymous bidding and a new complex and unfamiliar auction format ("SMR-HPB") that permits license-by-license bidding as well as limited package bidding using hierarchical package bidding ("HPB") on predetermined packages of specified licenses. The scope of the software changes in the FCC's Integrated Spectrum Auction System software is extensive:

-Pre-created packages: The FCC will, for the first time, pre-bundle licenses together.

-Winner determination: The software will have to calculate provisional winners in the non-packaged blocks in a different manner than in the packaged block.

-Current price estimates: The software will have to calculate CPEs differently in the package block than in the non-package blocks.

-Dropping bids: The software will have to allow for a limited number of dropped bids, and only allow dropped bids on specific licenses.

-Allowing withdrawals on some licenses but not others: The software will have to allow for bidders to make withdrawals on some licenses but not others.

-Block-specific reserve prices: The software will have to enforce reserve prices on specific blocks, not the auction as a whole.

-License-by-license and package-by-package changes to bid increments: The Bureau has proposed making changes to bid increments on a license and package level rather than to the auction as a whole.

-Limiting dollar amount of the Minimum Acceptable Bid and increments: The Bureau has proposed being able to limit the maximum dollar amount of a given bid increment.

-Special Procedures for reauction of blocks which fail to meet designated reserve prices: The FCC proposes alternative reserve prices and revisions to the bidding format on a block specific basis, including the possible use of package bidding in the event of the reauction of the C Block spectrum.

In addition to the foregoing novel auction procedures, the bidders face unprecedented complexity because Auction 73 offers a mix of paired and unpaired spectrum, licenses with different power limits, licenses with different performance requirements, and licenses with conditions such as open access and partnership with public safety. The reauction (or alternative auction) features to be employed in Auction 73 also add to the complexity and uncertainty in selecting bidding strategies.

It will not be easy for the Bureau to assure itself that it has adopted fair, objective, open, and transparent procedures that recognize the issues faced by smaller and regional bidders and provide all bidders with the flexibility and tools they need to manage their risk. The FCC's auction system is a complicated piece of software with many interrelated parts. Changing one part can often have unpredictable consequences on other parts. The auction is scheduled to begin in only four and one-half months, which is not much time to code and test the kinds of changes the Bureau is

contemplating. As discussed below, USCC comments on a number of the Bureau's proposed procedures and recommends changes to clarify and/or to improve specific aspects of those procedures.

If for any reason the Bureau is unable to adopt and to implement fully functional and tested auction procedures so that all bidders have adequate time to prepare to participate in Auction 73, USCC strongly recommends that the Bureau conduct the auction using standard SMR procedures for all of the licenses, including the C Block licenses as well as the A, B, D, and E Block licenses. Bidders, particularly smaller and regional bidders, will need adequate time to acquaint themselves properly with the details of how the Bureau's software implements the new procedures for Auction 73. In addition, the FCC reasonably can be expected to change the round results formats and reports, and may be making other interface changes, though they are not mentioned in the Bureau's Public Notice. Potential bidders need to be apprised of any and all changes at least by the time of the Auction 73 seminar and to have access to a working model of the Bureau's auction system, including round results formats and reports at the earliest possible date before January 16, 2008. If it appears that this schedule is in jeopardy, Auction 73 should be conducted using standard SMR procedures.

Specific Proposals for Improve Auction Design

As the Bureau considers the design and analysis of Auction 73 competitive bidding procedures, USCC makes the following recommendations:

1. Eligibility Information.

First, USCC proposes that the Bureau release each bidder's eligibility and upfront payment prior to the start of the auction as it did in Auction 71. While not the same as providing real-time bidder information, the identities and commitment levels of bidders at the front end does provide useful information that helps bidders fine tune their valuations and assess their levels of risk. Such information helps bidders to understand the general competitiveness of the auction before it begins, to prepare their strategies, to evaluate their budgets, to anticipate the pace of the auction and to get a

preliminary sense of the time commitment required by the auction. Furthermore, release of information at this stage raises no anti-competitive issues as demonstrated by the recent implementation of anonymous bidding in Auction 71.

Second, we encourage the Commission to release the aggregate eligibility ratio for each round (the ratio of total bidding units held by all bidders to the total bidding units of all licenses in the auction). A close approximation of this number can be derived by bidders with reasonable analytical tools and simply releasing the number will level the playing field for bidders without sophisticated auction tools.

2. Calculating Whether Aggregate Reserve Prices Have been Met.

The Bureau's Public Notice describes how it will consider gross provisional winning bids to determine whether block-specific aggregate reserve prices to be specified for each block have been met. USCC suggests that in addition to block-specific gross provisional winning bids, the Bureau should consider the gross amount of any bid for a license in that block which has been withdrawn and has not received a subsequent higher bid or winning bid. Final withdrawal payment for such a license will be due as provided under the FCC's proposed procedures, with further assurances of payment under the FCC's interim bid withdrawal payment procedures. In these circumstances, it seems reasonable for the FCC to count bid withdrawal amounts as a fair measure that the amounts to be collected toward block-specific reserve prices will exceed the FCC's minimum estimate of market value.

3. Activity Rules.

USCC opposes adoption of the proposed two stage structure of Auction 73 starting at an 80% activity threshold because it would unfairly accelerate the auction to the significant disadvantage of smaller and regional bidders which will need time to acquaint themselves with the many new features and procedures to be incorporated into the FCC's auction procedures. Early in the auction bidders, particularly smaller and regional bidders, are going to want to examine alternatives and to

have enough excess eligibility to try alternative strategies. Starting Auction 73 at 80% of total eligibility would move the initial stages of the auction too quickly and potentially undercut the aggressiveness and possibly even the participation of smaller and regional bidders in this important auction.

USCC recommends that the Bureau address this concern in either of two ways. First, it could add a first stage at 60% (Stage 1) early in the auction which would allow smaller and regional bidders flexibility to gain experience with the FCC's new auction procedures for a number of bid rounds before Auction 73 moves to the 80% activity threshold (Stage 2) and eventually to a 95% activity threshold (Stage 3). The FCC has always seen the early stages as giving bidders flexibility to pursue alternate strategies and to allow some price discovery before being forced to commit to a large percentage of maximum eligibility. From the Bureau's perspective, adding another stage is simple to accomplish operationally and would contribute in important ways to encourage diverse participation in Auction 73 without diminishing the Bureau's ability to control the pace of the auction.

Alternatively, the Bureau might retain the proposed 80% activity threshold but moderate the adverse consequences for bidders by adjusting its proposed "smoothing" formula to set the bid increment for licenses using a much lower floor and ceiling and weighting recent bids more than previous bids (a weight factor of greater than .5). USCC is concerned that the Bureau's currently proposed configuration (weight factor at .5, floor at 10%, ceiling at 20%) will result in most licenses having a 20% increment which combined with a 80% activity threshold will accelerate prices much too quickly. In the early stages of the auction, bidders of all sizes would benefit if they are not pressured by such 20% increments while they are trying to gain experience with the FCC's new auction procedures. Adjusting the "smoothing" formula also could be combined with the 60% Stage 1 approach recommended above to create a good environment for smaller and regional bidder participation.

4. Dropped Bid Procedure.

Under the Bureau's proposed procedures bidders would be permitted to drop non-provisionally winning bids on packages and on licenses subject to package bidding in no more than one round of the auction. USCC recommends that the Bureau clarify that under this proposed Dropped Bid procedure a bidder would be permitted to drop all of its previously submitted non-provisionally winning bids on packages and/or licenses subject to package bidding to prevent them from becoming provisionally winning bids.

5. Scaling Up Procedure.

The Bureau should not use complex special procedures for scaling up the "current price estimate" ("CPE") for individual REAG licenses when a package bid is provisionally winning. USCC recommends that the Bureau instead use the same scaling up procedure in such situations as it is proposing to use to calculate the CPE for a package where individual REAG licenses are provisionally winning, i.e. the CPEs are simply equal to the current bids on those individual REAG licenses, as is the case in a standard simultaneous multiple round (SMR) auction.

The Bureau's Public Notice describes without explanation that it proposes to use "bidding units" for individual REAG licenses as a surrogate for determining the "shares" which will be assigned to determine the CPEs to be assigned individual REAG licenses when a package bid is provisionally winning. This role is far less transparent than the straight-forward formulas the FCC has used to set minimum bid increments in any standard simultaneous multiple round (SMR) auction. By using this proposed special procedure, the FCC runs a significant risk that it will preemptively interfere in the value determination decisions of individual bidders unconsciously either thwarting or rewarding bidder strategies. The FCC should avoid any special procedure that could make it an arbiter setting hypothetical prices that could strongly shape the auction's outcome.

6. Package Bidding.

a. Avoiding Winning Bid Exposure for Bidders on Portions of a Package.

The Bureau should also adopt procedures to give bidders the opportunity to avoid exposure where the auction ends and under the Bureau's "considered bids" procedures they have provisionally winning bids which exceed their eligibility in the closing round of the auction. USCC also requests that the Bureau clarify whether it intends to permit a winning bidder in such situations to win licenses which have bid units in the aggregate which exceed the bidder's eligibility limits.

This problem arises because under the Bureau's "considered bids" proposal, a bidder for a portion of a package bid could become the provisionally winning bidder for a C Block REAG license even though it has provisionally winning bids on licenses not subject to package bidding which are at or near the limit of its current eligibility. Under the Bureau's proposed "dropped bid" option, bidders are only permitted to exercise this option if their bids are not provisionally winning. In other words, if a considered bid for a C Block license becomes provisionally winning, the bidder has no option to drop that bid if it is not topped by a C Block package bid. The auction could end creating massive exposure liability for a bidder in this position.

USCC believes that the Bureau should not permit any bidder to win licenses with bidding units which exceed the bidder's eligibility limits at the end of the auction. The Bureau's dropped bid option as proposed is not adequate to deal with this exposure problem. In these unique circumstances at the close of an auction, the Bureau should give a bidder the option to drop provisionally winning bids so as to limit the number of its winning bids to licenses with bidding units which are less than that bidder's then current eligibility limit. The rules should also make it clear that the auction cannot end on a round in which such a drop has taken place.

b. Disparity of Eligibility Management.

USCC objects to the disparity of eligibility management options offered to bidders for portions of a package under the Bureau's proposed procedures. Bidders who are interested in bidding

on individual C Block licenses already face daunting threshold problems. The Bureau's proposed procedures should enhance opportunities for bidding on individual C Block licenses to offset the inherent advantages of package bidders.

USCC supports adoption of the Bureau's proposed procedures which create bidding opportunities for smaller and regional bidders to acquire C Block licenses under its "considered bids" proposal provided that the Bureau also adopts procedures which give bidders who have submitted bids on such C Block licenses a fair chance to resume active bidding against package bidders for those licenses.

As described in the Bureau's Public Notice, the proposed HPB auction system will consider bids made in previous rounds when determining provisionally winning bids for a C Block license so that a bid could become provisionally winning many rounds after it was placed. This raises the possibility that a bidder which has provisionally winning bids on licenses not subject to package bidding could also have a prior bid on a C Block license reactivated or renewed under the HPB auction system. A bidder in this situation should have the opportunity to follow a penalty free path forward that will avoid exposure problems by using the Bureau's proposed "dropped bid" option at any time that its C Block bid is no longer a provisionally winning bid.

The problem with the Bureau's proposal is that the bidder in the situation described above is not given a reasonable and comparable opportunity to submit a new provisionally winning bid on a C Block license to overcome a provisional winning package bid. In order to submit a new bid for a C Block license, a bidder with provisionally winning bids on licenses not subject to package bidding will need to free up its bidding eligibility.

The only option available to such a bidder under the Bureau's proposals is to use bid withdrawal procedures which subject the bidder to new exposure risks, particularly if the bid withdrawal occurs near the end of the auction. This procedure creates a significant financial bias

against attempting to free up eligibility in order to be qualified to submit a new bid for a C Block license. The Bureau's currently proposed procedures virtually guarantee that package bidders cannot lose, a result which clearly Congress did not intend when it provided for package bidding in Section 309(j)(3) of the Communications Act..

USCC believes that the Bureau should adopt procedures which give bidders which have submitted bids on C Block licenses during any portion of Auction 73 a fair opportunity to resume bidding against package bidders for C Block licenses. The Bureau should adopt procedures which do not penalize these bidders by compelling them to assume added exposure risk under bid withdrawal procedures. A bidder with provisionally winning bids on licenses not subject to package bidding should be permitted to free up eligibility without penalty in any round where that bidder would otherwise be prevented from submitting a new provisionally winning bid on a C Block license.

7. Contingent Subsequent Auction - Auction Design.

USCC supports adoption of the Bureau's proposal to conduct any subsequent auction of licenses for Blocks A, B, D, and/or E, using the Bureau's standard SMR auction design without package bidding. If there is a subsequent auction of the C Block spectrum because the aggregate reserve price was not met, the Bureau should use standard SMR procedures which will encourage the broadest possible participation in this reauction, create aggregation opportunities, which proved to be highly successful in Auction 66, and avoid the unnecessary complexity of trying to apply SMR-HPB procedures to the C1 Block covering 176 EA licenses.

Conclusion

It will not be easy for the Bureau in the short time which remains before January 16, 2008 to assure itself that it has adopted fair, objective, open, and transparent procedures that accomplish the complex changes proposed in its Public Notice.

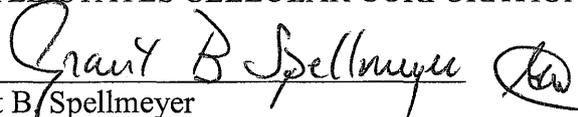
Bidders, particularly smaller and regional bidders which bear a disproportionate burden from change and complexity, will need adequate time to acquaint themselves and obtain practical

experience with the details of how the Bureau's revised auction procedures will operate. They should be given the full details of the Bureau's final auction procedures at least by the auction seminar date and even sooner if possible. The Bureau also should provide each bidder's eligibility and upfront payment prior to the start of the auction and aggregate eligibility ratio for each round as it did in Auction 71. And the Bureau should take action to ensure that the pace of the auction in its early rounds allows bidders sufficient opportunity to adapt to the many changes in the auction format and bidding system. This can be accomplished by adding an additional stage of the auction with a 60% activity rule and it can be enhanced by using a formula that results in more moderate bid increments.

Finally, USCC recommends that the Bureau clarify and enhance bidding opportunities for smaller and regional bidders to acquire C Block licenses. Under the Bureau's proposed "considered bids" proposal, it should clarify its method of calculating when its aggregate reserve prices have been met. The Bureau should also use its standard SMR auction format in the event of any contingent subsequent auction.

Respectfully submitted,

UNITED STATES CELLULAR CORPORATION

By Grant B Spellmeyer 
Grant B Spellmeyer

Director - Regulatory Affairs
8410 W. Bryn Mawr Ave.
Chicago, IL 60631
Phone: 773-216-4045
Fax: 646-390-4280
Email: grant.spellmeyer@uscellular.com

UNITED STATES CELLULAR CORPORATION

By George Y. Wheeler 
George Y. Wheeler

Holland & Knight LLP
2099 Pennsylvania Avenue, N.W. #100
Washington, DC 20006-6801
Phone: (202) 955-3000
Fax: (202) 955-5564
Email: george.wheeler@hklaw.com

Its Attorney

August 31, 2007

4759491_v2