

**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))
)

Reply Comments of
United States Cellular Corporation

United States Cellular Corporation ("USCC"), by its attorneys, submits reply comments in response to comments filed by Aleksander Pekec ("Pekec"), Blooston Rural Carriers ("Blooston"), Coalition for 4G in America ("4G Coalition"), Frontline Wireless LLC ("Frontline"), Karen Wrege and Karla Hoffman ("Wrege/Hoffman"), MetroPCS Communications, Inc. ("MetroPCS") and Verizon Wireless ("Verizon") in the above captioned proceedings.

INTRODUCTION

The comments in response to the Bureau's Public Notice amply demonstrate the complexity and controversial nature of the Bureau's proposed transition from conventional simultaneous multi-round ("SMR") bidding procedures to its proposed new procedures for Auction 73. Use of anonymous bidding and a new complex and unfamiliar auction format ("SMR-HPB") present questions, uncertainties and risks even for sophisticated large companies as reflected in the filed comments. The relatively limited participation in these proceedings by potential smaller bidders is both understandable and a challenge. The Bureau has a statutory responsibility to make sure that this extraordinary amount of change and complexity will not place a disproportionate burden on the opportunities for smaller and regional bidders to acquire

this valuable spectrum. If the end result is not broadly perceived by these bidders as a fair, objective, open, and transparent auction system, we strongly recommend 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.

Listed below is a brief summary of significant areas of the Bureau's proposals identifying the commenters which raised questions, concerns and counterproposals/variations on those proposals.

-Winner determination: USCC, MetroPCS, Wrege/Hoffman, Pekec and Frontline questioned various aspects of winner determinations.

-Current price estimates: USCC and Pekec propose reliance on current high bids rather than bidding units to determine provisional winners in the C Block.

-Dropping bids: USCC, Pekec, 4G Coalition, and Frontline have proposals and/or questions regarding the operation of the Bureau's proposed Dropped Bid procedures.

-Bid Withdrawals: Verizon, 4G Coalition, and Wrege/Hoffman request clarifications or changes involving the operation of bid withdrawals either generally or in the C Block or the D Block.

- Minimum Acceptable Bid and increments: USCC, MetroPCS, and Wrege/Hoffman propose changes in the Bureau's bid increment procedures.

-Minimum Opening Bids : Verizon, MetroPCS, 4G Coalition, and Blooston raise issues regarding the minimum opening bids for specific blocks and licenses and, in the case of MetroPCS and 4G Coalition, regarding all blocks.

-Auction Information Disclosure: USCC, MetroPCS, and 4G Coalition propose disclosure of aggregate eligibility and number of active bidders in each round. Verizon, MetroPCS, and Frontline supports adoption of procedures to permit disclosure of the winners of licenses in Auction 73 before commencement of a reauction.

-Special Procedures for reauction of blocks which fail to meet designated reserve prices: USCC and MetroPCS oppose use of package bidding in any reauction. Frontline supports use of package bidding if the C Block is reauctioned.

In addition, commenters have raised issues regarding the scheduling of Auction 73, compliance with anti-collusion rules, "best and final" bidding opportunities, activity waiver opportunities, spectrum aggregation limits, calculation of D Block bidding units, and the applicability of default penalty rules to the D Block licensee.

As discussed below, we confine these reply comments to the issues we consider essential to ensuring that bidders, particularly smaller and regional bidders, can acquaint themselves properly with the details of how the Bureau's software implements the new procedures for Auction 73 and that they have the flexibility and tools they need to manage their risk.

DISCUSSION

Among the significant issues involving the design and analysis of Auction 73 competitive bidding procedures are the following:

1. Information Disclosure

a. Eligibility Information.

We agree with MetroPCS¹ and 4G Coalition² that the Bureau should 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). We also recommended that the Bureau should release each bidder's eligibility and upfront payment prior to the start of the auction as it did in Auction 71.

b. Identity of Winning Bidders.

We also agree with Verizon, MetroPCS, and Frontline that the winning bids for licenses in blocks which met the aggregate reserve threshold amounts should be disclosed before the commencement of any reaction of other blocks.³ The disclosure of this information is necessary for public and non-public companies alike to meet SEC and other regulatory requirements, to be able to communicate with financial institutions and investors and/or to facilitate network buildout.

2. Activity Rules/ Smoothing Formula/Minimum Opening Bids

¹ Comments of MetroPCS, p.8.

² Comments of 4G Coalition, p.9.

³ Comments of MetroPCS, p. 9; Comments of Verizon, p. 8; Comments of Frontline, Attachment A, pp. 22-23.

In our Comments we opposed adoption of the proposed two stage structure of Auction 73, including 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. We proposed that the Bureau address this disadvantage for smaller and regional bidders in either of two ways. First, it could add a first stage at 60% (Stage 1) early in 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).

Regarding the proposed smoothing formula, we share Wrege/Hoffman's concerns that under the Bureau's proposals

"... increases in minimum acceptable bid amounts for all Blocks [will] remain at or near 20 percent, even after several rounds with no new bids. This, in combination with the rule barring bidders from making multiple increment bids, could prevent participants from bidding up to their final license values."⁴

Wrege/Hoffman proposes alternative values for the parameters in the "smoothing" formula⁵ which we believe could be effective in resolving this problem.

We also agree with MetroPCS⁶ and Blooston⁷ that reducing minimum opening bid amounts is another way for the Bureau to make sure that Auction 73 does not proceed "too early and too fast" for smaller bidders. In addition, we believe that the MetroPCS proposals for the Bureau to permit multiple bid increments "... to allow bidders to get as close as possible to what they consider their 'final' bid amount" is another refinement which has merit.⁸ One formulation

⁴ Comments of Wrege/Hoffman, pp. 5-6.

⁵ Id. at pp. 7-8.

⁶ Comments of MetroPCS, p. 15.

⁷ Comments of Blooston, pp. 5-6.

⁸ Comments of MetroPCS, pp. 16-17.

which might be suitable to meet the needs of smaller bidders would be to allow three acceptable bid amounts per license (the minimum acceptable bid amount and two additional bid amounts) for all CMA and EA license blocks. Also we oppose adoption of Frontline's proposal to "... allow a bidder at any time to place a bid for the C Block package of REAGs 1-8 equal to the reserve price for the entire C Block."⁹ The Bureau should not impair opportunities for meaningful competition between package bidders and bidders for individual C Block licenses by allowing this form of "jump" bidding.

3. Scaling Up Procedure.

In our comments we opposed adoption of the Bureau's proposed special procedures for scaling up the "current price estimate" ("CPE") for individual REAG licenses when a package bid is provisionally winning. We agree with Pekec that "... using bidding units as a measure to allocate the 'gap' is artificial and could create artificial apportionment, as well as create undesirable eligibility parking slots."¹⁰ The Bureau should instead base minimum acceptable bids on individual REAG licenses directly upon the highest previous bids, as it has traditionally done in its SMR auctions.

4. Package Bidding.

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

We support adoption of procedures to permit bidders for C Block licenses to "drop" prior bids on these licenses in order to avoid exposure under the Bureau's "considered bids" procedures. We oppose Pekec's suggestion that the Bureau should "...simply disallow [dropped bids]."¹¹ Rather, the Bureau should clarify how the winner determination problem is solved when a bid is dropped. It is our understanding that a bid is simply no longer considered as a possible

⁹ Comments of Frontline, Attachment A, p. 25.

¹⁰ Comments of Pekec, p. 2.

¹¹ Ibid.

provisionally winning bid once it is dropped. Because the determination of provisionally winning bids occurs after a round has closed when round results are processed, a bid that is dropped in a round will not be considered in that or any future round.

We also proposed procedures to permit bidders to avoid exposure in the event they might have provisionally winning bids which exceed their current eligibility in the closing round of the auction. In this connection we requested 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.

b. Disparity of Eligibility Management.

We also objected to the disparity of eligibility management options offered to bidders for portions of a package under the Bureau's proposed procedures. We support 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 which have submitted bids on such C Block licenses a fair chance to resume active bidding against package bidders for those licenses.

The disparity in the definition of considered bids in the C Block and the other blocks set forth in Bureau proposal will disadvantage bidders with limited excess eligibility that have submitted bids on C Block licenses early in the auction and then moved on to bid on other licenses when their C Block bids haven't become provisionally winning. If other C Block bidders place bids such that the individual bids from earlier rounds can partner with current round bids to beat the package, a bidder could be in the position of having provisionally winning bids on both the C Block and non-C Block licenses. In order to place further bids on the C Block, this bidder will have to withdraw their non-C Block provisionally winning bids and face a withdrawal payment, or simply not be able to further compete in the C Block, forcing the other C

Block bidders to try to make up any threshold that may occur from future package bids. Neither is a desirable outcome.

We support MetroPCS' proposal to "...allow for limited increased eligibility" in the case of reactivated bids to allow bidders to continue competing with the package bidder. Our understanding of how this might work is as follows:

If a bidder finds itself with at least one reactivated REAG bid in a round, its activity for the round would be considered to be its actual activity, plus the coverage of the reactivated bid(s). If this aggregate activity exceeds its current eligibility, the bidder temporarily would enter a new situation, where its eligibility is raised to that aggregate activity level. It would only be allowed to enter new bids for the REAGs on which are active in the reactivation round. This new situation would apply until the bidder's activity in a round is sufficiently low as to lower its eligibility back to (or below) what it was entering the reactivation round, at which time the bidder returns to the "normal" situation in which it can bid for whatever licenses it wishes.

If the Bureau confirms that a bidder is permitted to win licenses which have bid units in the aggregate which exceed the bidder's eligibility limit, the Bureau should adopt the foregoing procedures to allow bidders for individual C Block licenses to resume active bidding against package bidders.

Alternatively, if a bidder is not permitted to obtain "limited increased eligibility" and wants to continue to bid actively on C Block licenses, it is essential that a bidder in this situation have the opportunity to follow a penalty free path forward to pursue this bidding strategy by freeing up eligibility committed to provisionally winning bids on non-C Block licenses. We agree with MetroPCS that the Bureau's Dropped Bid procedures should "... apply to either a bidder's non-provisionally winning bid in the Upper 700 MHz C Block or a bidder's reasonably equivalent or similar provisionally winning bids in the Lower 700 MHz band."¹² We oppose adoption of the Wrege/Hoffman proposals¹³ involving the reinstatement of Dropped Bids because they require as a precondition that bidders proposing to "reinstate" dropped bids must

¹² Comments of MetroPCS, p. 20.

¹³ Comments of Wrege/Hoffman, p. 10.

use bid withdrawals to free up eligibility in order to do so. As described in our Comments (pp. 7-9), this would subject a bidder under the Bureau's proposals to a significant financial bias against attempting to free up eligibility under the FCC's bid withdrawal procedures, particularly if the bid withdrawal occurs near the end of the auction.

5. Contingent Subsequent Auction

a. Auction Design.

We agree with MetroPCS that the Bureau should conduct any possible subsequent auction of licenses for Blocks A, B, D, and/or E, using the Bureau's standard SMR auction design without package bidding.¹⁴ We oppose Frontline's C Block reauction proposal to require use of package bidding on three levels of C Block licenses so that it would be possible to bid for a package of C1 and C2, as well as for packages of C1 and C2 separately.¹⁵ Adoption of Frontline's proposals would add substantial complexity by adding new layers of packages, would create an unfair bias in favor of bidders with national business strategies, and would deter participation among smaller and regional bidders which want to implement local and regional business strategies. If there is a subsequent auction of the C Block spectrum, use of standard SMR procedures would open bidding opportunities to the widest possible range of bidders and avoid the unnecessary complexity of trying to apply SMR-HPB procedures to the C1 Block covering 176 EA licenses.

b. Procedures for Opting Out of a Reauction.

We share MetroPCS's concerns that at least some bidders may have no intention, or the financial resources, to acquire 700 MHz licenses in the event of a reauction and would not want to be held hostage by the FCC's anti-collusion rules throughout the reauction period.¹⁶ We support adoption of certification or other procedures as proposed by MetroPCS to document the

¹⁴ Comments of MetroPCS, pp. 21-22.

¹⁵ Comments of Frontline, Attachment A, p. 18.

¹⁶ Comments of MetroPCS, p. 20.

intention of any bidder opting out as provided here to comply with FCC anti-collusion requirements.

c. Calculating Whether Aggregate Reserve Prices Have been Met.

In our comments, we suggested that, in addition to block-specific gross provisional winning bids in a block, the Bureau should clarify that 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 should be counted toward the aggregate reserve price for that block. Verizon also questioned whether the Bureau would count the gross amount of such a withdrawn bid.¹⁷ We believe that this is a fair question and that the Bureau's answer logically should be that such withdrawn bids should be counted.

6. Schedule for Auction 73

We support the proposals of Verizon and MetroPCS to reduce as much as possible the period between the short-form application filing deadline and the commencement of Auction 73.¹⁸ We believe that Verizon's proposal to reduce this period to six weeks is workable and coincides well with the December 12 - January 25 dates proposed by MetroPCS, which we also support.

CONCLUSION

As discussed above, we have limited our reply comments to the proposed procedures which are likely to be significant to smaller and regional bidders and to suggesting changes to clarify and/or to improve specific aspects of those procedures. Smaller and regional bidders need as much time before the short-form filing deadline as the Bureau can provide to absorb and understand the new auction procedures. Under anonymous bidding, they will need eligibility information to help them navigate in this new type of auction. They also will need

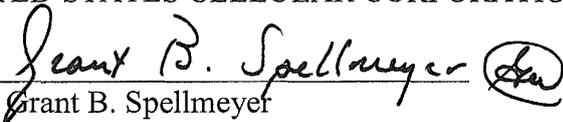
¹⁷ Comments of Verizon, pp, 6-7.

¹⁸ Comments of Verizon, p. 2; Comments of MetroPCS, p. 5.

activity rules, bid increment procedures and minimum opening bid amounts which allow them flexibility to gain experience with the Bureau's new auction procedures and to develop confidence to bid aggressively. Package bidding also adds a complex overlay of bidding rules to address the threshold problems which have been historically favored package bidders over smaller and regional bidders. Getting the proper balance of procedures to give smaller and regional bidders a fair chance to compete against package bidders will not be easy but it must be done. Also for many smaller and regional bidders, the reauction of licenses in blocks which fail to reach aggregate reserve prices may offer opportunities to acquire the spectrum they need. The Bureau should decide to use standard SMR auction procedures for any reauction to make sure these opportunities are within reach for these smaller and regional bidders.

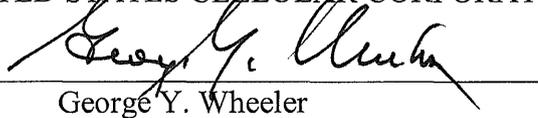
Respectfully submitted,

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

September 7, 2007

4778974_v1