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July 25, 2008

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

RE: Ex Parte Presentation - Service Rules for the 698-746, 747-762 and 777-792 MHz Bands - WT Docket No. 06-150; Implementing a Nationwide, Broadband, Interoperable Public Safety Network in the 700 MHz Band - PS Docket No. 06-229

Dear Ms. Dortch:

On July 24, 2008, representatives of United States Cellular Corp. -- Ted Carlson (Chairman of the Board of United States Cellular Corp. and CEO of the parent company, Telephone and Data Systems); Joe Hanley (Vice President - Technology Planning and Services, Telephone and Data Systems); Grant Spellmeyer (Director of Regulatory Affairs, United States Cellular Corp.); George Wheeler (attorney at Holland & Knight); and myself (attorney at Skadden Arps) -- met with Commissioner Jonathan Adelstein and Renee Crittendon (Legal Advisor for Spectrum and International Issues to Commissioner Adelstein). We discussed the positions in the comments and reply comments filed by United States Cellular Corp. in this docket, and the points in the attached handout.

Sincerely yours,

Warren G. Lavey

Attachment
cc: Commissioner Jonathan Adelstein
Renee Crittendon

Making the Partnership Work:

Solutions for the 700 MHz D Block

July 2008

U.S. Cellular

Principal Messages

- Area Licensing is the best answer for the D Block, with or without the partnership model.
  - It fosters innovation and competition and thereby benefits consumers.
  - It does not impair the public/private partnership model; in fact it makes it more viable and more responsive to area/regional public safety needs.
- If the partnership model is employed, technical requirements and commercial terms of the partnership must be clear to all bidders before the auction begins.

Area licensing for the D Block would best serve the public interest

- Area licensing will significantly expand the pool of potential bidders, increasing the chances of a successful D Block auction.
  - The most competitive and successful blocks sold in Auction 73 were offered on an EA or CMA basis; they were more successful because they were accessible to more potential bidders.
  - Because of the high prices paid for A and B block licenses, regional and smaller bidders left Auction 73 with unfulfilled demand for licenses and opportunities to expand operations.
  - A national license, if it is sold at all, is likely to go to one of the three current domestic national providers resulting in further concentration of spectrum and less choice for consumers.

Area licensing for the D Block would best serve the public interest

- The public safety partnership model can work as well, or better, with multiple licensees.
  - Today's multi-carrier wireless environment achieves a high level of interoperability for users of wireless services.
  - Area/regionally focused D Block licensees would likely be more responsive to the unique needs of regional and local public safety agencies.
  - A multiple-carrier D Block environment will foster innovative solutions, best practices, and faster deployments, with clear interoperability standards put in place for all providers.
  - No carrier operates mobile services on a single national license today yet the nation enjoys a thriving mobile environment.

MEA or smaller area licensing for the D Block would best serve the public interest

- Licenses should be offered in sizes no larger than MEAs in order to realize the full benefits of area licensing
  - REAGs are too large to be accessible to many of the bidders needed to make the auction successful.
  - MEAs and NPSPAC regions (compared with REAGs) are more closely aligned with state and local public safety operations.
  - Licensees focused on specific geographic areas are more motivated to build them promptly.
- If the FCC elects to forego the partnership model, EAs or CMAs would be an even better choice
  - Licenses offered at these sizes were the most successful in generating interest in Auction 73 and promote statutory objectives for the participation of smaller bidders.

Concerns about area licensing can be addressed with the right auction and partnership framework

- Concern: Development of an NSA (Network Sharing Agreement) with multiple licensees could be complex and too great a burden on the PSST
- Answer:
  - NSA terms need to be settled before the auction in any event to provide bidders with enough information to make decisions. Post-auction negotiation will be limited in scope.
  - With a national license, any bidding entity other than a single national operator (e.g. a consortium) will be forced into an internal negotiation of significant complexity and uncertain outcome.
  - Maintenance of the NSA post-auction can be negotiated between the PSST and leaders of a committee of area licensees on a 1-to-1 basis.
  - It may be desirable to allow some regional variation in the NSA, which can be more efficiently negotiated post auction between area licensees and regional public safety committees, subject to the oversight of PSST.

Concerns about area licensing can be addressed with the right auction and partnership framework

- Concern: It could be difficult to achieve interoperability in a multi-operator environment
- Answer:
  - The public networks today (wireless, wireline, and the Internet) are highly interoperable in a long-term environment of multiple carriers.
  - Carriers are accustomed to working together to set standards and then complying with the standards they adopt (e.g. IEEE, ATIS, etc.).

Concerns about area licensing can be addressed with the right auction and partnership framework

- Concern: Ongoing maintenance of relationships with multiple operators could be burdensome to the PSST
- Answer:
  - A committee of area licensees, with sufficient authority, will provide the PSST with a single point of contact for most decisions.
  - Operational relationships at the local level would be better facilitated by licensees with clear area or small region responsibilities.
  - PSST may be provided, through usage fees and/or spectrum lease payments, with the funding required to fulfill its relationship mission.

Concerns about area licensing can be addressed with the right auction and partnership framework

- Concern: If area licenses are offered, some may go unsold.
- Answer:
  - Baseline NSA requirements can initially be set lower for areas more difficult to serve, with an opportunity to negotiate on an area basis for future upgrades.
  - Proceeds from spectrum lease payments, tied to the bid amounts, might be used to support higher cost areas' development.
  - Any unsold licenses can be offered again, at a later date, with more favorable terms and potentially with a support mechanism.
  - The FCC can set a population threshold for allowing the initial auction results to stand – e.g. licenses covering 90% of the nation's population must be sold or the first round auction results are void.
  - A far greater risk is that a national license would go unsold, or worse, be sold to a marginal bidder and not be built.

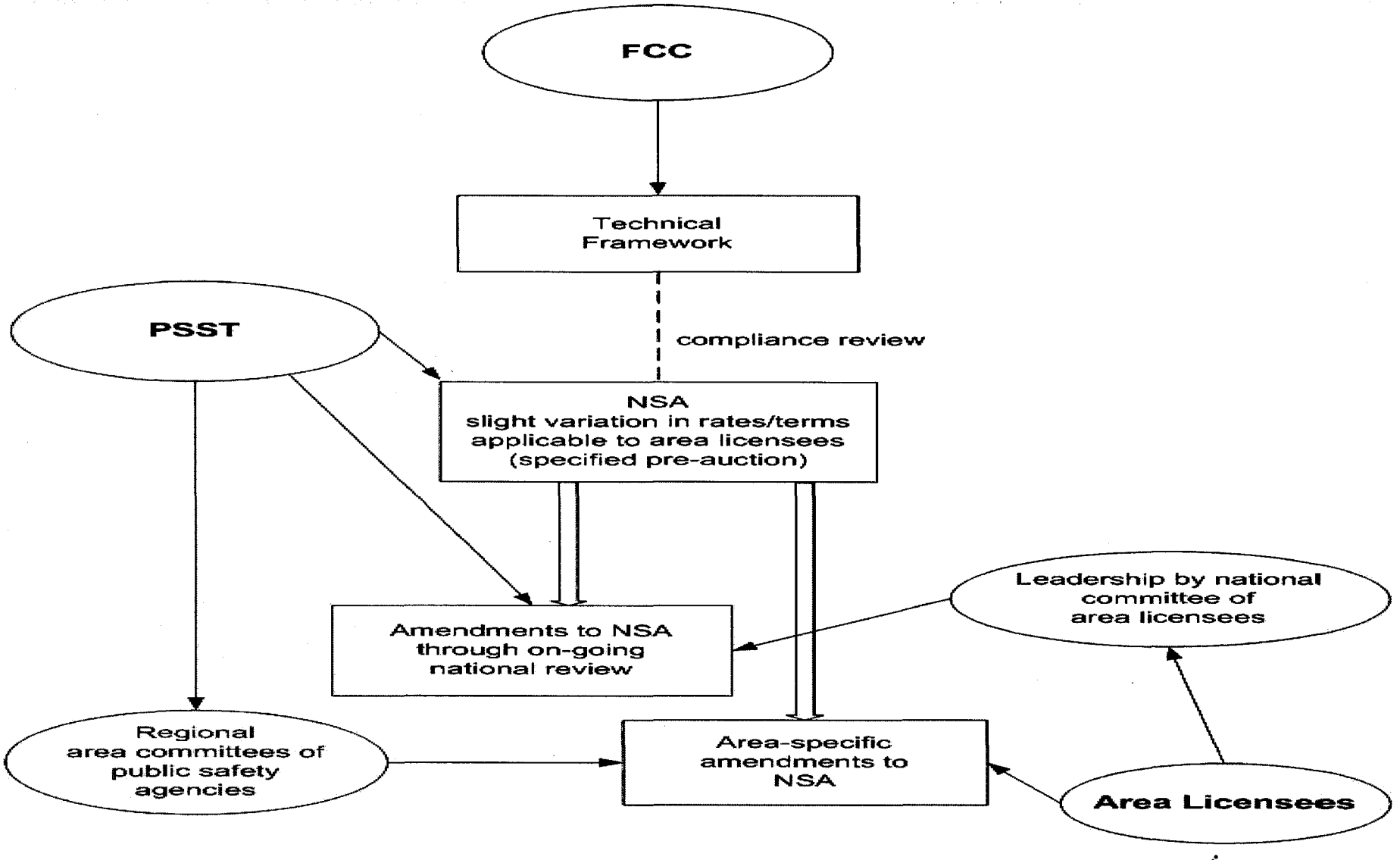
Area licensing is superior to a national license, consortium approach

- A consortium operating under a single license would expose responsible operators within the consortium to liability for the failure of others.
- Direct licensing on an area basis has many advantages.
  - Facilitates responsiveness to local and state public safety agencies, with differences in geographic area needs.
  - Each operator is directly accountable for its performance.
  - Within national standards, actions by independent area licensees will produce faster network deployment and innovative solutions.
  - A committee of independent operator licensees is potentially more stable than a single financial entity funded by non-operating investors. The whole network will not grind to a halt due to financial challenges of a single entity.
- If, however, the FCC implements an auction with a single national license, it should allow partitioning the license immediately following execution of the NSA and grant of the license.
  - While less efficient than a direct area license auction mechanism, a consortium model with immediate partitioning could allow some of the benefits of area licensing to be realized (e.g. compartmentalization of responsibility and risk).

U.S. Cellular's comments presented a workable system for achieving the FCC's goals within an area licensing framework

- Area licenses covering MEAs or similar regions (e.g. NPSPAC regions).
- Before the auction, FCC adopts technical framework.
- Terms of NSA settled before auction.
  - PSST works with potential bidders.
  - Reviewed by FCC for compliance with rules.
- NSA varies some rates and other terms, aiming at making all areas commercially viable for their licensees, while meeting threshold requirements of public safety.
- PSST has single point of contact with licensees, through the leadership of a national committee elected by licensees.
  - On-going review of NSA in light of market and technology developments.
- PSST designates regional area (e.g. NPSPAC) committees.
  - Post-auction region-specific amendments to NSA may address local public safety users' needs and market conditions. Standard NSA can operate without change if no customization is needed in a given area.

Roles in the Shared Wireless Broadband Network



U.S. Cellular

The FCC should consider other improvements that will increase the likelihood of a successful auction and public/private partnerships

- Apply a comprehensive automatic roaming rule to D Block licensees that includes roaming for advanced services.
- Set reasonable minimum opening bid levels for each area.
- Retain default penalties for winning bidders that fail to make timely payments or refuse to execute the pre-defined NSA.
- Address the build-out and reliability requirements to make them practicable.
- Since it will be important for bidders to know their prospective interoperability partners, auction the licenses without anonymous bidding.
- Offer the licenses without package bidding to provide a level playing field for all bidders and prevent recurrence of unfair anomalies like the Auction 73 C Block results.

About U.S. Cellular

U.S. Cellular

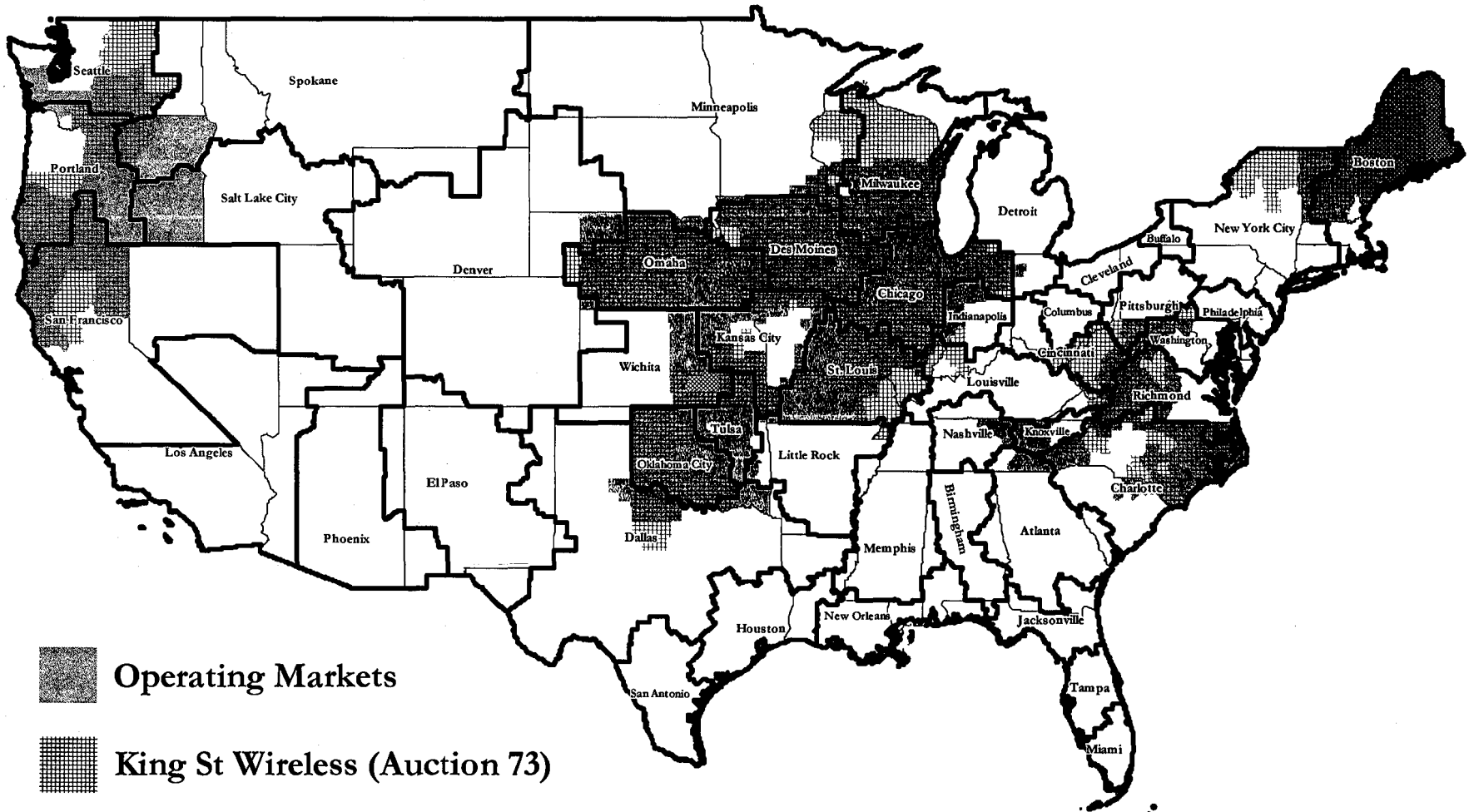
About U.S. Cellular

- Regional carrier serving a mix of urban and rural markets in 26 states
- 6th largest mobile operator in the U.S.
  - 45 million operating pops
  - 6.2 million customers
  - $3.7B in service revenues (2007)
  - 8,700 associates
  - 6,452 cell sites
- In conjunction with partners, an active participant in recent FCC spectrum auctions.

About U.S. Cellular

- Focus on an ideal customer experience, with emphasis on network quality and customer support
- J.D. Power Call Quality Awards Winner 2006-2008
- Experience serving the public safety community
  - 911 service deployed to over 1,000 PSAPs
  - Participant in Wireless AMBER Alerts Initiative
  - Service provider to over 100 public safety entities across the country
  - Operations in 23 out of 55 National Public Safety Planning Advisory Committee (NPSPAC) regions

Operating Markets and 700 MHz with MEAs



Operating Markets

King St Wireless (Auction 73)

USM 700 MHz

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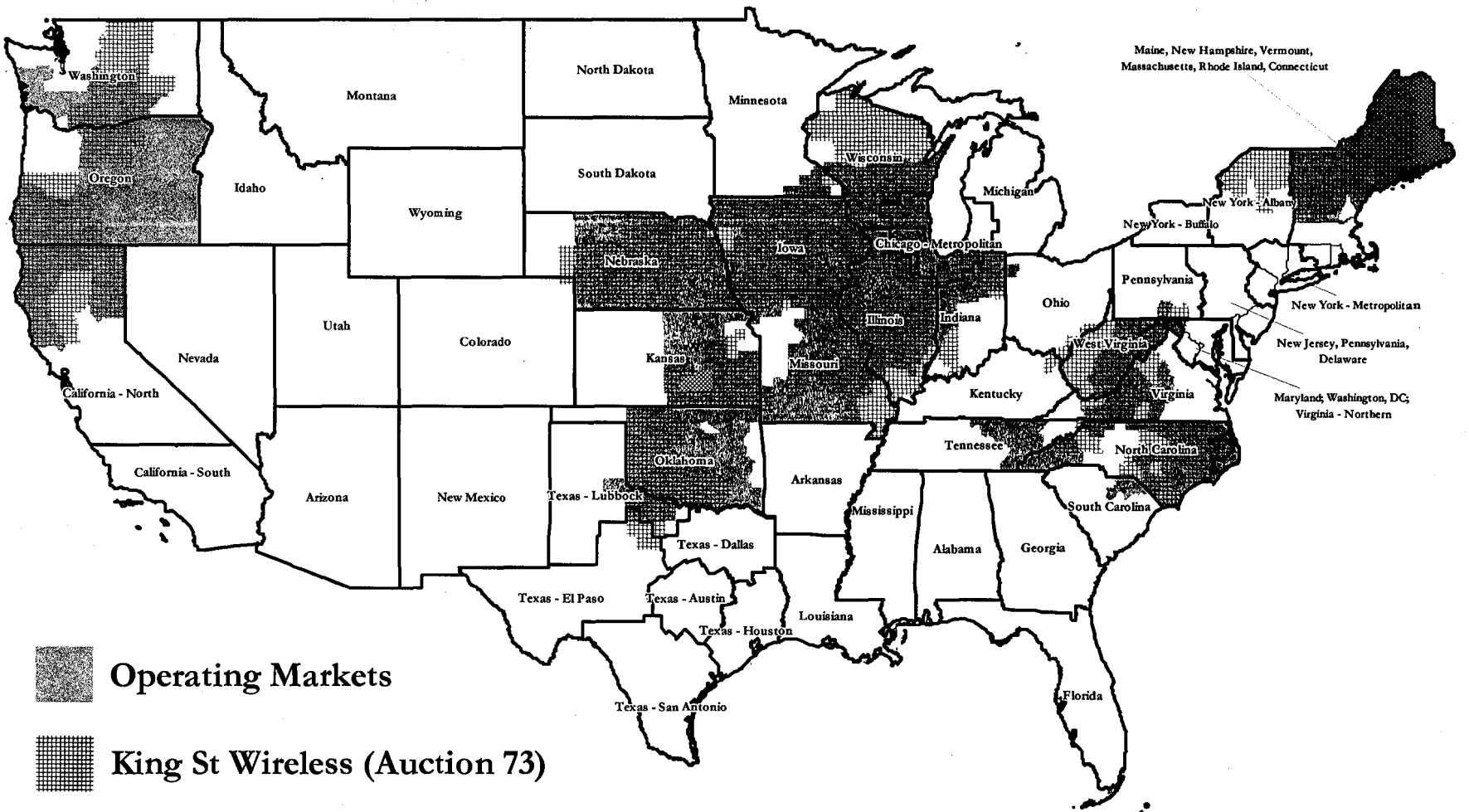
Operating Markets and 700MHz with NPSPAC Regions



Operating Markets

King St Wireless (Auction 73)

USM 700 MHz

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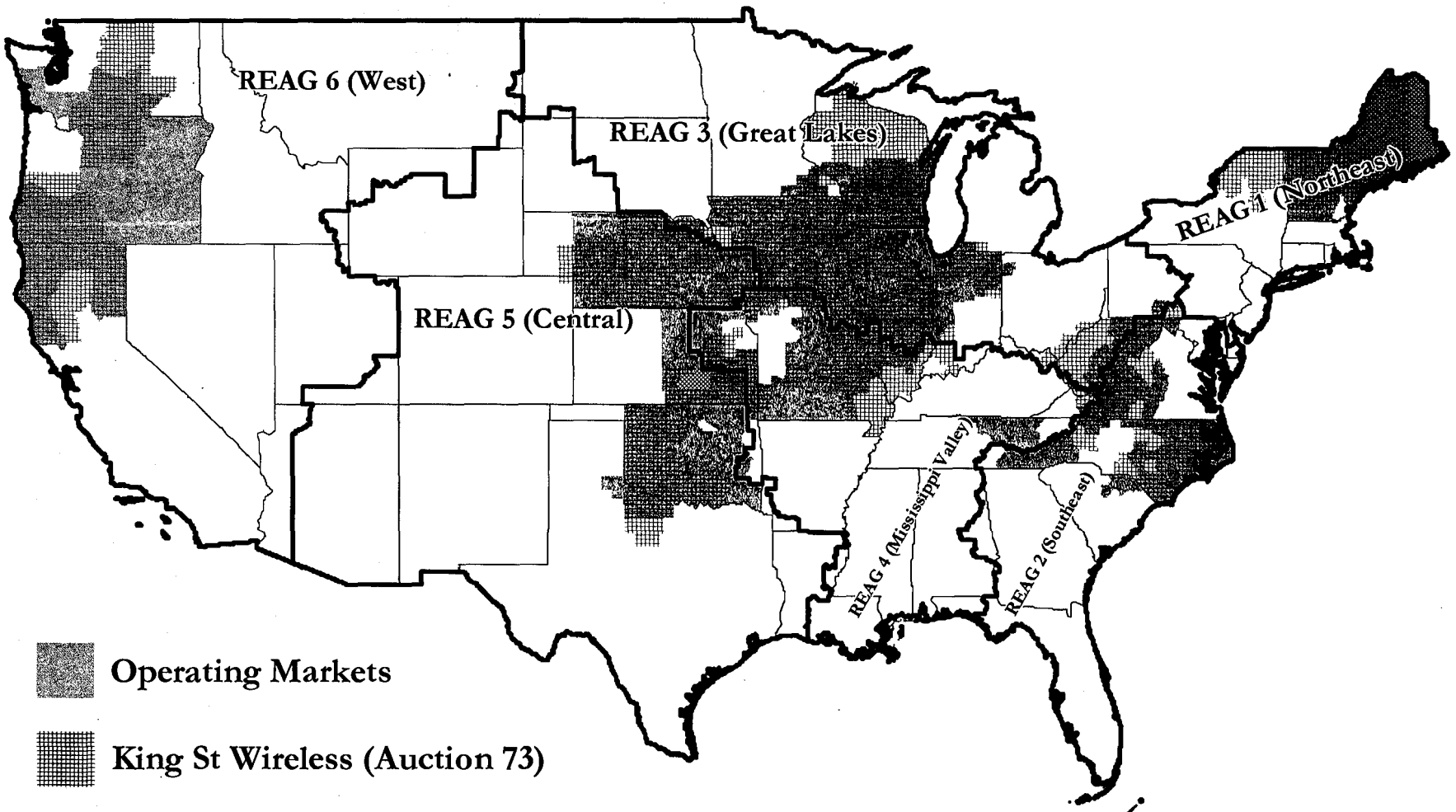
Operating Markets and 700MHz with REAGs "A difficult challenge"



Operating Markets

King St Wireless (Auction 73)

USM 700 MHz

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