

**Before the
Federal Communications Commission
Washington, D.C. 20554**

Media and Wireless Telecommunications Bureaus)
Seek Comment on Recommendation of the)
Advisory Committee on Diversity for) GN Docket No. 10-244
Communications in the Digital Age for a New)
Auction Preference for Overcoming Disadvantage)

**REPLY COMMENTS OF
RURAL CELLULAR ASSOCIATION**

Rural Cellular Association (RCA)¹ hereby submits these Reply Comments in response to the Federal Communications Commission’s (FCC or Commission) *Public Notice* (*Notice*) in the above-captioned proceeding² seeking comment on whether to initiate a Notice of Proposed Rulemaking (NPRM) to consider how the FCC could design, adopt and implement additional, new competitive bidding procedures as recommended by the Commission’s Advisory Committee on Diversity for Communications in the Digital Age (Committee).³ RCA is pleased that the Committee has recommended that the FCC seek comment on adopting new competitive bidding preferences and enthusiastically encourages the FCC to undertake such a proceeding. In particular, RCA supports MetroPCS Communications, Inc.’s (MetroPCS) recommendation that the FCC initiate an NPRM to develop additional bidding credit proposals, including MetroPCS’ Broadband Incentive

¹ RCA is an association representing the interests of nearly 100 regional and rural wireless licensees providing commercial services to subscribers throughout the Nation and licensed to serve more than 80 percent of the country. Most of RCA’s members serve fewer than 500,000 customers.

² Media and Wireless Telecommunications Bureaus Seek Comment on Recommendation of the Advisory Committee on Diversity for Communications in the Digital Age for a New Auction Preference for Overcoming Disadvantage, GN Docket No. 10-244, DA 10-2259, rel. Dec. 2, 2011. (Notice).

³ Recommendation on Preference for Overcoming Disadvantage, FCC Advisory Committee on Diversity for Communications in the Digital Age (October 14, 2010), *available at* <http://www.fcc.gov/DiversityFAC/meeting101410.html>.

Discount (BID) program,⁴ that may foster new and increased competition in the digital age through providing incentives to new entrants and these small, regional or mid-tier carriers who require the spectrum to offer broadband services.

As the Commission notes,⁵ Section 309(j) of the Communications Act of 1934, *as amended* (Act), requires the FCC to disseminate licenses among “a wide variety of applicants, including small businesses, rural telephone companies, and businesses owned by members of minority groups and women” and to “ensure that small businesses, rural telephone companies, and businesses owned by members of minority groups and women are given the opportunity to participate in the provision of spectrum-based services.”⁶ When establishing competitive bidding auction procedures, the Commission has followed this statutory directive to “promote the involvement of statutorily-identified designated entities in the provision of spectrum-based services”.⁷ Specifically, and for the benefit of most RCA carrier members, the Commission primarily has used small businesses bidding credits to promote auction participation from designated entities.⁸

Many RCA carrier members have been able to leverage these small business bidding credits to successfully compete in FCC spectrum auctions. Since the FCC began auctioning spectrum and utilizing auction bidding credits, RCA carrier member have increasingly participated in FCC spectrum auctions, leading to greater auction competition and increased revenues. In fact, in Auction 73 for Lower 700 MHz spectrum, Lower A Block licenses, bid

⁴ See MetroPCS Comments at 49-58, GN Docket No. 09-157, GN Docket Nos. 09-157 and 09-51, FCC 09-66 (September 30, 2009); see also *Fostering Innovation and Investment in the Wireless Communications Market; A National Broadband Plan for our Future*, Notice of Inquiry, GN Docket No. 09-157, GN Docket Nos. 09-157 and 09-51, FCC 09-66 (Aug. 27, 2009).

⁵ Notice at 2.

⁶ 47 U.S.C. §§ 309(j)(3)(B), (4)(D).

⁷ Notice at 2.

⁸ See, e.g., Implementation of Section 309(j) of the Communications Act – Competitive Bidding, PP Docket No. 93-253, *Second Report and Order*, 9 FCC Rcd 2348, 2391-92 ¶¶ 241-44 (1994) (*Competitive Bidding Second Report and Order*).

on and won considerably by rural and regional carriers, commanded a higher price per megahertz/pop than the Upper C Block spectrum.⁹ Much of this competition was the result of smaller, rural and regional carriers that were able to take advantage of the FCC’s auction bidding credits and smaller geographic area licenses.¹⁰ Without these bidding credits, many RCA carrier members would not have been able to participate in Auction 73 or compete with AT&T and Verizon Wireless to win spectrum licenses. Although providing bidding credits for small businesses is an important first step to fulfill the goals of the National Broadband Plan, other mechanisms are needed to encourage increased participation from new entrants and existing carriers who do not have sufficient spectrum to offer broadband services.

To that end, RCA also supports MetroPCS’ recommendation to seek comment on, among other options, its BID program. Under MetroPCS’ BID program, “applicants would receive a sliding scale of bidding discount credits in inverse proportion to the amount of attributable spectrum the applicant holds in the geographic area covered by a particular license.”¹¹ The BID program proposes the below sliding discount scale.

<u>Attributable Spectrum</u>	<u>% Discount</u>
0 to 20 MHz	60%
20 to 40 MHz	40%
40 to 60 MHz	20%
60+ MHz	0%

RCA also supports MetroPCS’ proposition that incumbent applicants would be precluded at the initial auction stage from acquiring any license that would cause the applicant to exceed a pre-auction spectrum screen.¹² Similar to the FCC’s small business bidding credits as

⁹ In Auction 73, Lower A Block licenses commanded \$1.16 per MHz/pop. Upper C Block licenses commanded \$0.76 per MHz/pop.

¹⁰ The 700 MHz Lower A Block consists of 176 Economic Area licenses, while the Upper C Block consists of 12 Regional Economic Area Grouping licenses.

¹¹ MetroPCS Comments at 2, GN Docket No. 10-244 (February 7, 2011) (MetroPCS Comments).

¹² MetroPCS Comments at 2.

described above, RCA agrees that MetroPCS' BID program would foster greater competition in spectrum auctions and greater competition for broadband services. As MetroPCS notes, those persons or entities overcoming disadvantages, including those who are new entrants and small existing carriers desiring to expand and improve services within existing markets and to enter new markets, would have an increased likelihood of being successful bidders in spectrum auctions.¹³

Bidding credits, if used carefully and correctly, enhance competition in FCC spectrum auctions.¹⁴ RCA encourages the FCC to continue to use small business bidding credits, and to adopt new bidding preferences like MetroPCS' BID program, to foster greater competition in spectrum auctions and in the broadband marketplace. RCA supports the Committee's recommendation to undertake an NPRM to design, adopt and implement new competitive bidding preferences, particularly to promote competition between the largest national carriers and RCA carrier members, to allocate spectrum among a wide variety of industry participants, and to create a competitive wireless broadband ecosystem.

Respectfully submitted,

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¹³ MetroPCS Comments at 4.

¹⁴ See Cramton, Peter, Evan Kwerel, Gregory Rosston, and Andrzej Skrzypacz (2010), "Using Spectrum Auctions to Enhance Competition in Wireless Services," Working Paper, University of Maryland, available at: <http://www.cramton.umd.edu/papers2010-2014/cramton-kwerel-rosston-skrzypacz-spectrum-auctions-and-competition.pdf>.