Cellcom

Clearly The Best.

August 5, 2013

VIA ECFS

Ms. Marlene H. Dortch,
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

RE: GN Docket No. 12-268, *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*
AU Docket No. 13-178, *Auction of H Block Licenses in the 1915-1920 MHz and 1995-2000 MHz Bands; Comment Sought on Competitive Bidding Procedures for Auction 96*
GN Docket No. 13-185, *Amendment of the Commission's Rules with Regard to Commercial Operations in the 1695-1710 MHz, 1755-1780 MHz, and 2155-2180 MHz Bands*

Dear Ms. Dortch:

New-Cell, Inc. d/b/a Cellcom (Cellcom) joins the chorus of others in this proceeding to urge the Commission to adopt smaller geographic license areas for all upcoming FCC spectrum auctions,[1] and particularly for the incentive auction of 600 MHz spectrum. Licensing spectrum in smaller geographic areas has a variety of benefits. Specifically, doing so will maximize bidder participation in any auction—thus, maximizing auction revenues; ensure that services are quickly deployed to more Americans, including those that live in rural parts of the country; and, for the incentive auction, allow for enhanced market-by-market flexibility in reclaiming broadcast spectrum. Therefore, Cellcom urges the Federal Communications Commission (FCC or Commission) to adopt Cellular Market Areas (CMAs) for all upcoming auctions.

Cellcom has been providing cellular service to Brown County, Wisconsin since 1987. Subsequently, Cellcom expanded its cellular network throughout northern Wisconsin and into Iowa. Cellcom has participated in several FCC spectrum auctions, from the PCS auction to the more recent auctions for AWS-1 spectrum (Auction 66) and Lower 700 MHz Band spectrum (Auction 73). In Auction 66 as well as Auction 73, Cellcom bid on and won licenses in blocks based on both Economic Areas (EAs) and CMAs. However, due to changed market conditions, including the continued aggregation of spectrum by the largest carriers, Cellcom will no longer have the resources to compete with the largest carriers for large geographic areas like EAs.

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1 *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*, Notice of Proposed Rulemaking, 27 FCC Rcd 12357 (2012) (Incentive Auctions NPRM); *Auction of H Block Licenses in the 1915-1920 MHz and 1995-2000 MHz Bands; Comment Sought on Competitive Bidding Procedures for Auction 96*, Public Notice, AU Docket No. 13-178, DA 13-1540 (rel. July 15, 2013); *Amendment of the Commission's Rules with Regard to Commercial Operations in the 1695-1710 MHz, 1755-1780 MHz, and 2155-2180 MHz Bands*, Notice of Proposed Rulemaking and Order on Reconsideration, GN Docket No. 13-185, FCC 13-102 (rel. July 23, 2013).

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Cellcom, like all competitive carriers, needs more spectrum to keep up with its consumers' growing demand for mobile data and voice services. And Cellcom would like the ability to participate in all upcoming auctions, especially the 600 MHz incentive auction. With lawmakers' increased focus on deficit reduction, auction revenue is at the forefront of everyone's mind. Increased participation in an auction leads directly to increased prices and revenue. Having more auction participants in the auction room will drive up the price spent on each license through the competitive bidding process, and more participants will come to the auction floor if licenses are based on smaller geographic areas.

Nearly 100 smaller or rural carriers participated in Auction 73, and most of those carriers bid on B Block licenses, which were offered in CMAs.[2] The B Block in that auction generated more revenue on a MHz-pop basis than the larger geographic-based A Block and C Block.[3] With smaller geographic areas, more carriers are able to bid for more licenses, and the increased number of bidders leads to higher revenue.

On the other hand, rural carriers like Cellcom do not have the financial wherewithal to bid on larger EAs that encompass not only their current service footprints, but more than four or five times the number of pops they currently serve. While Cellcom has bid on EAs in the past, if the Commission adopts EAs for its upcoming auctions, it will not be able to participate. Similarly sized carriers will most likely also be foreclosed from participating in upcoming auctions should licenses be offered based on EAs. Using large geographic areas would give significant and unwarranted advantages to the largest nationwide carriers at the expense of smaller carriers. It certainly cannot be in the public interest for the Commission to offer up valuable, beachfront spectrum to the largest incumbents on the cheap.

Licensing the 600 MHz spectrum in large geographic areas also risks leaving behind rural America. Cellcom and other similarly situated rural carriers have a vested interest in providing high-quality, low cost services in their local communities, and have a proven track record of deploying these services much faster than larger, nationwide players. Foreclosing competitive carriers from participating in the upcoming auction risks further widening the broadband gap in rural America, a population that more and more relies primarily or exclusively on mobile technology for connecting to people, information and business opportunities.

Finally, and specifically related to the incentive auction, the Commission recognizes in its notice of proposed rulemaking that licensing spectrum in large areas potentially constrains the amount of available spectrum reclaimed by broadcasters and repurposed for wireless use.[4] While

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[2] *See Ex Parte* Letter from Rebecca Murphy Thompson, General Counsel, Competitive Carriers Association to Marlene H. Dortch, Secretary, Federal Communications Commission, WT Docket No. 12-69 *et al.* at 2 (filed June 28, 2013). In addition to the almost $2 billion competitive carriers paid for licenses in Auction 73, these small entities also bid $1.2 billion for licenses that larger providers ultimately paid $1.6 billion to win—driving an additional $400 million in revenue that most likely wouldn't have materialized had these carriers not participated and increased bid amounts.

[3] The Upper C Block, auctioned in 12 Regional Economic Area Groups, sold for only $0.76/MHz-pop. The Lower A Block, auctioned in smaller areas through 176 EAs, sold for $1.16/MHz-pop. And the Lower B Block, auctioned in even smaller areas, 734 CMAs, sold for $2.68/MHz-pop.

[4] Incentive Auctions NPRM at 12410-11 ¶ 146.

recognizing that a larger number of licenses may require more thoughtful planning and additional administrative care in running the auction, these costs are far outweighed by the benefits of reclaiming as much broadcast spectrum as possible for repurposing and sale in the forward auction. Moreover, bringing in more spectrum for sale in the incentive auction is yet another way to raise overall revenues.

For all of these reasons, Cellcom urges the Commission to adopt CMAs as the geographic licensing area for spectrum auctioned in the many upcoming auctions.

This *ex parte* notification is being filed electronically with your office pursuant to Section 1.1206 of the Commission's Rules.

Sincerely,

Patrick D. Riordan
President and CEO
New-Cell, Inc. d/b/a Cellcom

cc (via email): Mr. Gary Epstein
Ms. Ruth Milkman
Mr. Jim Schlichting
Mr. John Leibovitz
Ms. Susan Singer
Mr. Tom Peters
Mr. Brett Tarnutzer
Mr. Joel Taubenblatt