

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Auction of H Block Licenses in the 1915- 1920 MHz and 1995-2000 MHz Bands	)	AU Docket No. 13-178
	)	

**REPLY COMMENTS OF CELLULAR SOUTH, INC.**

Cellular South, Inc. (d/b/a C Spire Wireless) (“C Spire”) submits this reply to comments regarding the Public Notice (“PN”) issued in the above-captioned proceeding.<sup>1</sup>

**INTRODUCTION**

With its PN, the Commission proposed rules for the auction of ten megahertz of paired spectrum (1915-1920 MHz and 1995-2000 MHz (the “H Block”)) in Auction 96. The comments submitted in response to the PN reflect substantial agreement that the Commission should pursue the proposed Simultaneous Multiple Round (“SMR”) auction procedures without Hierarchical Package Bidding (“HPB”). And, within the context of such an auction, “blind” or anonymous bidding procedures combined with effective minimum opening bids and pre-disclosed aggregate reserve prices will enable the Commission to satisfy its congressionally mandated goal of

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<sup>1</sup> *Auction of H Block Licenses in the 1915-1920 MHz and 1995-2000 MHz Bands; Comments Sought on Competitive Bidding Procedures for Auction 96*, Public Notice, Docket No. 13-178 (rel. Jul. 15, 2013) (“PN”).

designing and implementing an auction that promotes economic growth and competition in the wireless industry.<sup>2</sup>

## DISCUSSION

### A. Commenters Support an SMR Auction of the H Block without Package bidding.

C Spire is joined by the majority of other carrier commenters in supporting the Commission's proposal to conduct a standard Simultaneous Multiple-Round (SMR) auction of the H-block spectrum without package bidding.<sup>3</sup>

The benefits of SMR auctions are well established by the Commission's own experience. As Sprint notes, the Commission has successfully used a standard SMR design (without package bidding) several times, including in recent Auctions 58, 66, and 71.<sup>4</sup> That history demonstrates "SMR bidding generates the most information about license values throughout an auction and gives bidders the opportunities to pursue contingency strategies, increasing overall participation."<sup>5</sup> So it is no surprise that the Commission has previously designated "SMR as its 'preferred competitive bidding design' and noted that an SMR structure is most likely to 'award independent licenses to the bidders who value them most.'"<sup>6</sup>

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<sup>2</sup> See 47 U.S.C. § 309(j)(3)(B); Middle Class Tax Relief and Job Creation Act of 2012, Pub. L. No. 112-96, § 6401, 126 Stat. 156 (2012).

<sup>3</sup> See PN at ¶¶ 16, 22.

<sup>4</sup> Id., p. 6.

<sup>5</sup> Sprint Comments, pp. 3-4 (internal quotations and citations omitted).

<sup>6</sup> Id., p. 4 (quoting, *Implementation of Section 309(j) of the Communications Act – Competitive Bidding*, PP Docket No. 93-253, Second Report and Order, FCC 94-61 (rel. April 20, 1994)).

U.S. Cellular points out, the “characteristics of the H Block make it particularly well suited for near-term deployment.”<sup>7</sup> As a result, the H Block auction “has the potential to promote competition and spur network deployments in rural and other underserved areas.”<sup>8</sup>

C Spire, however, is not alone in its concern that the benefits available from an SMR auction of the H Block would be undermined if the Commission adopts rules that disadvantage competitive bidders “and thereby substantially reduce the likelihood of success for small and regional carriers in Auction 96.”<sup>9</sup> Most importantly, the Commission must not adopt the Bureau’s HPB proposal. Other competitive carrier commenters echo and expand on C Spire’s concerns over package bidding. “Package bidding would increase the risk and uncertainty for smaller bidders, who lack the substantial resources of those most likely to be package bidders.”<sup>10</sup> Even proponents of HPB implicitly acknowledge the unnecessary complexity various forms of package bidding would introduce into the auction.<sup>11</sup> Those proponents understand that the more potential packages and bid options that face each participant, “the more it will cost each player to evaluate its options and probability for success” – thus limiting competition from smaller bidders and reducing overall auction participation.<sup>12</sup>

As U.S. Cellular notes, “package bidding would decrease auction participation by everyone but the largest carriers, which would decrease auction revenue and raise legal issues as

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<sup>7</sup> USCC Comments, p. 2.

<sup>8</sup> Id.

<sup>9</sup> Id., p. 3.

<sup>10</sup> Id.

<sup>11</sup> See, AT&T Comments, p. 2 (discussing the relative levels of complexity among various package bidding schemes).

<sup>12</sup> Sprint Comments, p. 8.

to whether Auction 96 complied with the Commission’s statutory obligations.”<sup>13</sup> Importantly, the “public interest disfavors experimenting with different auction formats and package bidding overlays that are likely to introduce unnecessary complexity and uncertainty in the H Block assignment process.”<sup>14</sup> The Commission should, therefore, auction the H Block using its proposed and proven standard SMR approach without package bidding.

**B. “Blind” or Anonymous Bidding Reduces the Risk of Retaliatory Bidding and Collusion**

Other competitive operators agree with C Spire that the Commission should auction the H Block on a “blind” basis.<sup>15</sup> Limiting the disclosure of “bidder-specific information” in the context of an SMR auction without package bidding presents the best chance for the largest number of potential bidders to participate on relatively equal footing.<sup>16</sup> In addition to preventing retaliatory bidding by larger operators who might seek to limit smaller competitors from expanding into new operating areas, anonymous bidding also limits other market harms, both during and after the auction. For example, anonymous bidding “limits opportunities for parties to collude and coordinate bidding strategies and to focus their purchasing power on purchasing spectrum blocks in a manner that may foreclose other carriers from scale economies in devices.”<sup>17</sup>

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<sup>13</sup> USCC Comments, pp. 3-4.

<sup>14</sup> Sprint Comments, p. 6.

<sup>15</sup> *See*, PN at ¶¶ 24-29.

<sup>16</sup> *See*, Sprint Comments, p. 11; T-Mobile Comments, p. 5.

<sup>17</sup> T-Mobile Comments, p. 5.

C Spire disagrees with commenters who assert that open bidding increases the post-auction risk of a lack of interoperable devices and roaming.<sup>18</sup> These critical competitive issues should be addressed effectively and directly by the Commission through pre-auction service rules. Particularly in the context of the H Block auction, in which just one block of spectrum is available nationwide, it is not at all clear that open bidding (in which the identity of all bidders is known to all bidders) would have any benefit with respect to interoperability and roaming. However, it is clear that anonymous bidding remains the best possible protection smaller, competitive operators have against retaliatory bidding by the largest operators in Auction 96. Several competitive operators, including T-Mobile and Sprint, have joined C Spire in urging the Commission to employ anonymous bidding in this Auction.

### **C. Aggregated License Reserve Pricing Effectively Gauges Demand**

While C Spire initially advocated for the Commission to set minimum opening bids equal to its pre-determined reserve price for each license auctioned, aggregated license reserve pricing is an equally effective alternative.<sup>19</sup>

C Spire is persuaded by commenters noting that because all of the spectrum in Auction 96 is in a common block (H Block) aggregated reserve pricing will accurately reflect overall demand for the spectrum and will ensure that the auction raises the targeted amount of revenue.<sup>20</sup> Additionally, we agree with Sprint's view that the aggregated reserve pricing should be disclosed

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<sup>18</sup> See, USCC Comments, p. 19.

<sup>19</sup> See, PN at ¶ 58; C Spire Comments, pp. 4-5.

<sup>20</sup> See, Sprint Comments, p. 12; T-Mobile Comments, p. 7.

by the Commission in advance of Auction 96 “so that participants can efficiently tailor their bidding strategies” relative to their individual spectrum needs prior to making an initial bid.<sup>21</sup>

## CONCLUSION

The auction of the H Block spectrum for mobile broadband services is an important opportunity for economic growth and improved access for American wireless consumers. The Commission has a substantial opportunity to enable operators to put this new spectrum to use quickly – especially in rural and underserved areas of the country. But, for that opportunity to become reality, Auction 96 must be conducted on a proven SMR basis unburdened by complex and competitively harmful package bidding. Additionally, the Commission can utilize anonymous bidding procedures and pre-disclosed aggregate reserve pricing to further enhance the revenue and public interest benefits resulting from the H Block auction and subsequent deployments.

Respectfully submitted,

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<sup>21</sup> See, Sprint Comments, p. 12.