



Competitive Carriers Association
Rural • Regional • Nationwide®

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November 20, 2013

Via ECFS

The Honorable Tom Wheeler
Chairman
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: EX PARTE PRESENTATION

GN Docket No. 12-268: *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*

Dear Chairman Wheeler,

As Chairman of the Federal Communications Commission (“FCC” or “Commission”), you are tasked with the historical effort of conducting the first of its kind incentive auction of television broadcast spectrum.¹ In its NPRM, the Commission established a “central goal” of the incentive auction to “repurpose the maximum amount of UHF band spectrum . . . in order to unleash investment and innovation, benefit consumers, drive economic growth, and enhance our global competitiveness.”² A variety of issues related to these objectives are currently before the Commission. One issue of critical importance to our rural and regional carrier members is the size of geographic licenses that will be offered in the forward auction.³

In the attached study, *Right-Sizing Spectrum Auction Licenses: The Case for Smaller Geographic License Areas in the TV Broadcast Incentive Auction*, MIT research scientist Dr. William Lehr and Summit Ridge Group (“SRG”), a leading consulting firm in the satellite, media and telecom sectors, set out a comprehensive analysis of the social and economic goals that would be advanced by auctioning reclaimed broadcast spectrum in smaller geographic license sizes, such as CMAs. This study confirms the need for smaller geographic license sizes, and further informs the Commission’s review of these issues. As CCA has consistently advocated, together with reasonable, pro-competitive safeguards against spectrum aggregation, the use of right-sized licenses will promote robust bidding and a successful auction.

¹ *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*, GN Docket No. 12-268, Notice of Proposed Rulemaking, 27 FCC Rcd 12357 (2012) (“NPRM”).

² *Id.* at ¶ 10.

³ CCA has previously advocated for using smaller geographic license sizes, such as Cellular Market Areas (CMAs) in the incentive auction and other upcoming spectrum auctions. *See, e.g.*, Letter from Steven K. Berry, President & CEO, CCA, *et al.* to Mr. Gary Epstein and Ms. Ruth Milkman, GN Docket No. 12-268, *et al.* (filed Oct. 17, 2013). Another critical issue, not addressed in this paper, is the need for spectrum aggregation limits. The FCC should evaluate the benefits of spectrum aggregation limits contemporaneously with the advantages of smaller geographic license sizes set forth in this paper. Sufficiently small geographic license sizes are necessary but not sufficient to promote competition.

Specifically, the study shows the following.

- Smaller license sizes will significantly increase the number of markets that would have 85 MHz of spectrum or more based on repacking, and will limit the population covered by areas encumbered by interference protection zones for remaining television broadcasters.
- Smaller territories will facilitate managing spectrum coordination with Canada and Mexico.
- Smaller license sizes will increase auction participation, particularly participation by rural and regional operators who are more likely to face financing and other resource constraints if the FCC uses larger license sizes and who will most likely not participate in this auction if the FCC uses larger license sizes. This is especially true if the FCC does not adopt reasonable spectrum aggregation limits for the incentive auction.
- Right-sizing licenses will most likely increase auction revenues based on the added value of smaller territories; but at a minimum right-sizing will mitigate the potential for a volatile auction due to foreclosure concerns or application of an “incumbent dilution discount.”
- Smaller geographic areas are better aligned with the long-term direction of spectrum management, including more efficient secondary markets.

Each of these outcomes advances the central goal of the incentive auction. The use of larger license sizes, however, could have the opposite effect.

In sum, Dr. Lehr and SRG’s study is a thoughtful, annotated analysis of a critical component of how beachfront spectrum will be made available for mobile broadband use. The geographic size of licenses ultimately adopted for the forward auction will not only permanently affect the landscape of the wireless industry—it will directly impact American consumers’ access to next generation advanced communications services for years to come. I hope the Commission takes these findings under consideration when making its decision.

Pursuant to Section 1.1206 of the Commission’s Rules, this *ex parte* presentation is being filed electronically with the Office of the Secretary.

Sincerely,



Steven K. Berry
President & CEO

cc (via email): Commissioner Mignon Clyburn
Commissioner Jessica Rosenworcel
Commissioner Ajit Pai
Commissioner Michael O’Rielly
Ms. Ruth Milkman
Mr. Phil Verveer
Ms. Gigi Sohn
Mr. Daniel Alvarez
Ms. Maria Kirby
Ms. Rebecca Hanson

Ms. Renee Gregory
Mr. Louis Peraertz
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Mr. John Liebovitz
Mr. Tom Peters
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