

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

In the Matter of	)	
	)	
Wireless Telecommunications Bureau	)	GN Docket No. 12-268
Seeks Comment on a Proposal to License	)	
The 600 MHz Band Using “Partial	)	
Economic Areas”	)	
	)	

**SUPPLEMENTAL COMMENTS OF CELLULAR SOUTH, INC. ON  
PROPOSED USE OF “PARTIAL ECONOMIC AREAS”**

Cellular South, Inc. (d/b/a C Spire Wireless) (“C Spire”) submits these supplemental comments in response to the Public Notice issued by the Wireless Telecommunications Bureau seeking comment on licensing the 600 MHz band using “Partial Economic Areas,” or “PEAs,” as the geographic unit.<sup>1</sup>

**In General, Spectrum Should be Auctioned in Reasonably Small Geographic Units**

C Spire remains committed to the position it has taken in this and previous auction proceedings: “[T]o promote competition and the broadest possible deployment of mobile broadband services, the Commission must auction licenses that cover relatively small geographic areas.”<sup>2</sup> In order to balance the competing desires, on the one hand, to maximize revenue and, on the other hand, to allow for efficient geographic aggregation of licenses, C Spire has urged the

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<sup>1</sup> See *Wireless Telecommunications Bureau Seeks Comment on a Proposal to License the 600 MHz Band Using “Partial Economic Areas,”* Public Notice, GN Docket Nos. 12-268, 13-185 DA 13-2351 (Dec. 11, 2013) (“Public Notice”).

<sup>2</sup> C Spire NPRM Comments, p. 7.

Commission to auction the 600 MHz licenses in geographic blocks corresponding to Economic Areas (“EAs”) as proposed in the NPRM.<sup>3</sup>

C Spire’s primary concern remains that the Commission should avoid repeating the mistake made with the 700 MHz Upper C block licenses, when Regional Economic Area Groupings (“REAGs”) were used—preventing the vast majority of auction participants from competing for 22 MHz of valuable low band spectrum.<sup>4</sup> Geographic license areas of this size effectively award licenses to the Bell incumbents for the reserve price, shortchanging the United States Treasury, further concentrating valuable spectrum in the hands of the largest operators, and ultimately preventing competition for wireless services.

Admittedly, there are some differences among competitive operators and similarly-situated stakeholders regarding the geographic license size to be used (e.g., EAs or Cellular Market Areas “CMAs”). The record in this proceeding nonetheless reflects general agreement with C Spire’s core rationale and conclusion: In order to encourage smaller and regional operators to participate in the 600 MHz auction and to promote auction and market competition generally, those operators must have a substantive opportunity to win licenses. Thus, the 600 MHz spectrum must be licensed in geographic units no larger than EAs.<sup>5</sup>

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<sup>3</sup> NPRM ¶ 148.

<sup>4</sup> In Auction 73, because of the large geographic size of the Upper C Block licenses, very few participants bid for those licenses and, ultimately, auction revenue for the spectrum was reduced. By contrast, the smallest geographic license areas in Auction 73 – the 700 MHz Lower B Block, which was divided into 734 CMAs – brought the highest price per MHz/POP of any block of spectrum. The clear lesson to be learned from the 700 MHz Upper C Block experiment is that competitive operators, Designated Entities, and virtually all other new entrants cannot realistically participate in the bidding for the largest geographic license areas.

<sup>5</sup> Leap Wireless Comments at 4-5; MetroPCS Comments at 18; at 7-8; U.S. Cellular Comments at 10-13; National Telecommunications Cooperative Association Comments at 3-5; Wireless Internet Service Providers Association Comments at 30-32.

## **CCA's PEA Proposal Advances the Public Interest**

In light of this consensus regarding the use of relatively small license-size, C Spire supports CCA's compromise proposal to license the 600 MHz spectrum in Partial Economic Areas ("PEAs"). PEA-sized licenses provide an effective means to achieve the public interest benefits of increased auction participation (and, thus, increased revenue to the Treasury) and increased opportunity for a more competitive allocation of spectrum through the auction.<sup>6</sup>

Additionally, PEAs are a hybrid of existing geographic units for spectrum licenses. As CCA explained in its proposal, PEAs respect CMA boundaries to the extent possible, but also "nest" within existing EAs.<sup>7</sup> This will enable the Commission to more easily map blocks of spectrum consistent with potential market variation.

Finally, CCA's proposal would result in the auction of less than 400 licenses per spectrum block,<sup>8</sup> which limits the complexity of the incentive auction to a significantly more manageable number of licenses than CMAs would permit.

## **C Spire Opposes Package Bidding**

In responding to CCA's PEA proposal, at least one of the Bell incumbents has expressed a desire to allow package bidding for up to nearly one-third of all PEA-sized licenses.<sup>9</sup> But, such

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<sup>6</sup> See *Ex Parte* Letter from Rebecca Murphy Thompson, Competitive Carriers Association, to Marlene H. Dortch, Secretary, Federal Communications Commission, GN Docket No. 12-268 (filed Nov. 27, 2013) ("CCA November 27 *Ex Parte*"); see also *Ex Parte* Letter from C. Sean Spivey, Competitive Carriers Association, to Marlene H. Dortch, Secretary, Federal Communications Commission, GN Docket No. 12-268 (filed Dec. 23, 2013) ("CCA December 23 *Ex Parte*") (providing updated PEA map and related data).

<sup>7</sup> CCA November 27 *Ex Parte* at 2.

<sup>8</sup> CCA December 23 *Ex Parte* (enclosed County data).

<sup>9</sup> See *Ex Parte* Letter from Joan Marsh, AT&T Services, Inc. to Marlene H. Dortch, Secretary, Federal Communications Commission, GN Docket No. 12-268 at 3 (filed Dec. 3, 2013).

substantial use of package bidding in this auction would pose two significant problems – both of which the Commission has acknowledged in another, recent auction proceeding.<sup>10</sup> First, such excessive use of package bidding enables the largest operators to foreclose competition on a substantial number of licenses that, if auctioned individually, might attract more and higher bids by smaller, regional operators or other auction participants. Second, package bidding on a large scale injects unnecessary and costly complexity into the bidding process that will disadvantage bidders focused on specific licenses or regions of the country—potentially discouraging them from participating in the auction altogether.<sup>11</sup> Accordingly, C Spire opposes package bidding for the 600 MHz auction, regardless of the geographic size of the auctioned licenses.

### **Other Recent Proposals are Unworkable**

The Rural Wireless Association (“RWA”) and NTCA recently submitted an alternative auction proposal, which included a bifurcated auction process.<sup>12</sup> While the RWA/NTCA proposal seeks to promote competition and mobile broadband access in rural areas, the proposal appears to increase auction complexity and risks without increasing competitive benefits. For example, the proposal suggests the Commission should bifurcate the “forward” portion of the spectrum auction into two separate, consecutive auctions – one for urban markets and another for

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<sup>10</sup> See *Auction of H Block Licenses in the 1915-1920 MHz and 1995-2000 MHz Bands Scheduled for January 14, 2014, Notice and Filing Requirements, Reserve Price, Minimum Opening Bids, Upfront Payments, and Other Procedures for Auction 96*, Public Notice, AU Docket No. 13-178, 28 FCC Rcd 13019, 13053 ¶ 131 (Sept. 13, 2013).

<sup>11</sup> See Id at ¶ 132.

<sup>12</sup> See *Ex Parte* Letter from Caressa Bennet, Rural Wireless Association, and Jill Canfield, NTCA – The Rural Broadband Association, to Marlene H. Dortch, Federal Communications Commission, GN Docket No. 12-268 (filed Dec. 6, 2013) (“RWA/NCTA Letter”).

rural.<sup>13</sup> This would appear to create additional, unnecessary layers of complexity in an already complicated auction process. Moreover, the RWA/NTCA bifurcation proposal would seem to run contrary to the language of the Spectrum Act, which prescribes a single forward auction.<sup>14</sup>

For these reasons, C Spire does not have a favorable view of the RWA/NTCA proposal. However, we understand that additional information regarding this proposal recently has been placed in the record on behalf of RWA and NTCA by National Economic Research Associates (“NERA”).<sup>15</sup> We look forward to reviewing this NERA submission and commenting more fully on the viability of the RWA/NTCA proposal in C Spire’s Supplemental Reply Comments.

## Conclusion

For the foregoing reasons, C Spire supports CCA’s PEA proposal as the best available geographic unit for the 600 MHz forward auction and urges the Commission to adopt it while prohibiting package bidding.

Respectfully submitted,

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<sup>13</sup> See RWA/NCTA Letter.

<sup>14</sup> See Middle Class Tax Relief and Job Creation Act of 2012, P.L. 112-96, 126 Stat. 156 § 6402(c)(1) (Feb. 22, 2012) (“The Commission shall conduct a forward auction...”); *id.* § 6402(c)(2) (discussing proceeds and costs from “the forward auction”).

<sup>15</sup> See *Ex Parte* Letter from Richard Marsden, NERA Economic Counseling to Marlene H. Dortch, Federal Communications Commission, GN Docket No. 12-268 (filed Jan. 7, 2014) (“NERA Study”).