

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

In the Matter of)	
)	
Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions)	GN Docket No. 12-268
)	
Amendment of the Commission's Rules with Regard to Commercial Operations in the 1695-1710 MHz, 1755-1780 MHz and 2155-2180 MHz Bands)	GN Docket No. 13-185
)	
To: The Commission)	

REPLY COMMENTS OF PANHANDLE TELECOMMUNICATION SYSTEMS, INC.

Panhandle Telecommunication Systems, Inc. (“Panhandle”),¹ by its attorneys, hereby files these reply comments in response to comments filed by various parties with regard to the *Public Notice*² released by the Wireless Telecommunications Bureau (“Bureau”) of the Federal Communications Commission (“FCC” or “Commission”) seeking comments on the Competitive Carriers Association (“CCA”) proposal³ to adopt Partial Economic Areas (“PEAs”) to award licenses in the 600 MHz Broadcast Incentive Auction. The *Public Notice* also sought comment on any additional geographic licensing proposals, including the joint proposal submitted by the

¹ Panhandle is a wholly-owned subsidiary of Panhandle Telephone Cooperative, Inc. (“PTCI”). PTCI is a rural incumbent local exchange carrier with approximately 11,800 access lines and receives high cost universal service support for its operations in Oklahoma, Texas, and New Mexico.

² *Wireless Telecommunications Bureau Seeks Comment on a Proposal to License the 600 MHz Band Using “Partial Economic Areas,”* GN Docket Nos. 12-268 and 13-185, Public Notice, DA 13-2351 (WTB, Dec. 11, 2013) (“*Public Notice*”).

³ Letter from Rebecca Murphy Thompson, General Counsel, Competitive Carriers Association, to Marlene H. Dortch, Secretary, FCC (Nov. 27, 2013) (“CCA PEA Ex Parte”); *see also* Letter from C. Sean Spivey, Competitive Carriers Association, to Marlene Dortch, Secretary, FCC (Dec. 23, 2013) (“CCA Revised PEA Ex Parte”).

Rural Wireless Association, Inc. (“RWA”) and NTCA – The Rural Broadband Association (“NTCA”)⁴ to conduct a two-phased Incentive Auction.

Panhandle is provider of commercial mobile radio service in Oklahoma, Texas, and Kansas. Panhandle agrees with commenters’ widespread support⁵ for the use of Cellular Market Areas (“CMAs”), rather than Economic Areas (“EAs”), as the geographic license area for the Broadcast Incentive Auction. As discussed below, CMAs would provide Panhandle the most meaningful opportunity to participate in the Incentive Auction. However, in the event that the Commission decides against using CMAs as the auction’s geographic license area, Panhandle believes that the RWA/NTCA Proposal is the best alternative to encourage robust industry-wide auction participation.⁶ As they are currently proposed, PEAs remain too large for many small and rural carriers, like Panhandle, to effectively compete for auctioned licenses.

⁴ Letter from Caressa Bennet, Rural Wireless Association, Inc., and Jill Canfield, NTCA - The Rural Broadband Association to Marlene Dortch, Secretary, FCC (Dec. 6, 2013) (“RWA/NTCA Proposal”).

⁵ See, e.g., Joint Association Comments; Supplemental Comments of Competitive Carriers Association, *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions, Amendment of the Commission’s Rules with Regard to Commercial Operations in the 1695-1710 MHz, 1755-1780 MHz, and 2155-2180 MHz Bands*, GN Docket Nos. 12-268 & 13-185 (filed Jan. 9, 2014) (“CCA Comments”); Comments of the Blooston Rural Carriers, GN Docket Nos. 12-268 & 13-185 (filed Jan. 9, 2014) (“Blooston Comments”); Comments of Peoples Telephone Cooperative, Inc., GN Docket Nos. 12-268 & 13-185 (filed Jan. 9, 2014) (“Peoples Comments”); Comments of King Street Wireless, L.P., GN Docket Nos. 12-268 & 13-185 (filed Jan. 9, 2014); Comments of United States Cellular Corporation, GN Docket Nos. 12-268 & 13-185 (filed Jan. 9, 2014).

⁶ Under the RWA/NTCA Proposal, the Commission would conduct the reverse broadcast auction contemporaneously with the initial auction phase. During this phase, forward auction bidders would bid on the basis of EAs, but receive licenses covering only the MSA or MSAs (when there is more than one MSA) located within the relevant EA. After bidding is completed in the initial auction phase, the remaining 428 Rural Service Areas (“RSAs”) would be auctioned in the second auction phase. RWA/NTCA Proposal at p. 2.

I. SECTION 309(j) OF THE ACT REQUIRES THE COMMISSION TO ADOPT RULES AND PROCEDURES THAT PROMOTE INCENTIVE AUCTION PARTICIPATION OF RURAL CARRIERS.

Panhandle agrees with the Comments filed by RWA, NTCA, the Blooston Rural Carriers and others that neither the use of EAs, nor CCA's PEA approach, would adequately address the Commission's obligations under Section 309(j) of the Communications Act of 1934, as amended ("the Act").⁷ Section 309(j) requires the Commission to adopt auction and service rules, license sizes, and bandwidth assignments that, among other things, (1) ensure the timely deployment of new services to people residing in rural areas;⁸ (2) promote economic opportunity and competition;⁹ (3) ensure new technologies are readily available to the public by avoiding the excessive concentration of licenses;¹⁰ (4) disseminate licenses to a wide variety of applicants, including small businesses and rural telephone companies;¹¹ (5) prevent stockpiling or warehousing of spectrum;¹² and (6) promote an equitable distribution of licenses among different geographic areas and promote economic opportunities for small businesses and rural carriers.¹³ As discussed below, if the Commission was to adopt EAs and (to a lesser extent) PEAs as the Incentive Auction's geographic license area, many small and rural carriers would be unable to participate. As a result, the Commission would contravene the Section 309(j) requirements put in place to promote provider diversity and encourage rural wireless deployment.

⁷ See, e.g., Joint Association Comments at pp. 5-6; Blooston Comments at pp. 1, 6.

⁸ 47 U.S.C. § 309(j)(3)(A).

⁹ 47 U.S.C. § 309(j)(3)(B).

¹⁰ *Id.*

¹¹ *Id.*

¹² 47 U.S.C. § 309(j)(4)(B).

¹³ 47 U.S.C. § 309(j)(4)(C). See also Joint Association Comments at p. 6.

II. COMMISSION USE OF EAs AS GEOGRAPHIC LICENSE AREAS WOULD PREVENT PANHANDLE FROM PARTICIPATING IN THE INCENTIVE AUCTION.

While Panhandle supports the Commission’s use of geographic license areas, the use of large geographic license areas such as EAs will prevent Panhandle from participating in the Incentive Auction. Panhandle provides mobile service to approximately 6,300 customers in its service territory. In order to cover its existing service footprint, Panhandle would have to bid on spectrum across two EAs, covering 1,721,653 people. Realistically, Panhandle cannot compete under such a scenario. Indeed, in order to match its current licensed footprint, Panhandle would be forced in an auction scenario to acquire spectrum covering portions of New Mexico (which is far removed geographically from Panhandle’s current licensed footprint) and cities such as Wichita, Kansas and Amarillo, Texas (which together cover over 500,000 people not currently served by Panhandle).

Panhandle is not alone. The Summit Ridge Group, based on an analysis of letters to the FCC, has identified 12 local carriers that will not participate in the auction if an EA structure is used exclusively for licensing 600 MHz spectrum.¹⁴ The NERA Report identified several additional rural carriers for which the use of EA geographic licensing areas would make Incentive Auction participation difficult, if not impossible.¹⁵

¹⁴ William Lehr and J. Armand Musey, *Right-sizing Spectrum Auction Licenses: The Case for Smaller Geographic License Areas in the TV Broadcast Incentive Auction*, at p. 17 (Nov. 20, 2013) (“Summit Study”). See also Richard Marsden, Dr. Chantale LaCasse, and Jonathan Pike, *Local and Regional Licensing for the US 600 MHz Band (Incentive Auction)*, at p. 13 (January 2014) (“NERA Report”).

¹⁵ NERA Report at pp. 14-15.

III. AS CURRENTLY PROPOSED, PEAs WILL NOT MAXIMIZE AUCTION PARTICIPATION.

Though PEAs would be a better geographic license area option than EAs, Panhandle agrees with other commenters that CCA's current PEA proposal does not adequately address the concerns many small and rural carriers have regarding the size of the licenses to be auctioned.¹⁶ As the Blooston Rural Carriers make clear, because PEA boundaries in Midwestern and Western states largely follow current EA boundaries, states such as North Dakota, South Dakota, Montana, Wyoming, New Mexico, and Nevada would see little improvement from the use of PEAs under the current CCA proposal instead of EAs.¹⁷ For providers in these states, and several others, use of PEAs would preclude auction participation in much the same way as EAs.

For its part, Panhandle would have to bid on two PEAs covering 578,760 people in order to cover its service area. If the Commission were to adopt CMA-based licenses instead, Panhandle would have to bid on five CMAs, but those five CMAs would only cover 314,896 people, allowing Panhandle to be much more competitive. Indeed, despite Panhandle's need to bid on three additional licensed markets using CMAs instead of PEAs, the actual population covered by those five CMAs is less than half of what the two PEAs cover.

IV. THE RWA/NTCA PROPOSAL WOULD ALLOW FOR ROBUST AUCTION PARTICIPATION BY ALL CARRIERS, INCLUDING PANHANDLE.

In the event the Commission decides against using all 734 CMAs as geographic license areas in a single phase auction, Panhandle believes that the alternative RWA/NTCA

¹⁶ See Blooston Comments at pp. 1-2 (noting that the use of PEAs would "offer inadequate improvement over EA licensing for the many Blooston Rural Carriers that provide service in the West and Midwestern states"); see also Peoples Comments at pp. 2-3 (stating that a PEA overlapping portions of its study area is too large, and use of PEA geographic license areas may preclude its participation in the Incentive Auction).

¹⁷ Blooston Comments at p. 5. PEAs in Texas pose similar issues for at least some carriers. See Peoples Comments at pp. 2-3.

Proposal will maximize carrier participation and offer the best opportunity for a successful Incentive Auction. The two-phase Incentive Auction framework would allow the Commission to conduct the reverse broadcast auction, spectrum repacking, and a First Phase Forward Auction on the basis of 176 EAs, but award licenses on the basis of MSAs.¹⁸ A Second Phase Forward Auction would auction the remaining 428 RSAs. Although the use of CMAs would best allow Panhandle and other small and rural carriers to compete for licenses in the Incentive Auction, under the RWA/NTCA Proposal, Panhandle would be able to participate in the Incentive Auction and reasonably compete for the licenses necessary for it to timely deploy new services to the people who live, work and travel through Panhandle's rural service area.

V. CONCLUSION.

Panhandle strongly encourages the Commission to adopt CMAs when awarding these valuable 600 MHz licenses. In the event that the Commission decides to use an alternative geographic licensing scheme, Panhandle supports the RWA/NTCA Proposal. Only by adopting licensing areas that are sufficiently small to provide small and rural carriers, such as Panhandle, a meaningful opportunity to participate in the Incentive Auction will the Commission meet the statutory mandate of Section 309(j) of the Act.

¹⁸ See Joint Association Comments at p. 10.

Respectfully submitted,

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