

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

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

**SUPPLEMENTAL REPLY COMMENTS OF COMPETITIVE CARRIERS
ASSOCIATION REGARDING THE USE OF "PARTIAL ECONOMIC AREAS"**

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SUPPLEMENTAL REPLY COMMENTS OF COMPETITIVE CARRIERS ASSOCIATION REGARDING THE USE OF “PARTIAL ECONOMIC AREAS”

Competitive Carriers Association (“CCA”) hereby submits these reply comments, which address the initial submissions filed 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.¹

INTRODUCTION AND SUMMARY

The opening comments establish widespread support for the use of small geographic license sizes for the upcoming incentive auction. The record confirms that smaller licenses will maximize the opportunities for participation by carriers of all sizes, including small, midsize, and rural carriers, many of whom would be foreclosed by the use of larger licenses, such as Economic Areas (“EAs”). Smaller licenses also would increase the Commission’s ability to map

¹ 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”).

the recovered spectrum more efficiently, resulting in more unencumbered spectrum available for auction. The combination of greater participation and more spectrum will likely lead to greater auction revenues.

CCA has long urged the Commission to employ Cellular Market Areas (“CMAs”) as the geographic unit, and several commenters continue to urge the Commission to adopt CMAs for the incentive auction. However, CCA understands that some parties believe the Commission may be disinclined to adopt CMAs due to perceived complexities of the incentive auction, and for that reason CCA proposed Partial Economic Areas (“PEAs”) as a compromise that would help to retain some of the benefits of small licenses. The opening comments strongly confirm that, if the Commission declines to adopt CMAs, PEAs offer the best compromise to balance the competing interests of expanding participation opportunities and mitigating complexity. The PEA proposal employs smaller license sizes relative to EAs in order to promote participation by smaller and rural carriers, and yet requires fewer licenses in order to reduce the administrative burdens of the auction.

AT&T and Verizon continue to urge the use of EAs, but their comments demonstrate that they merely want an easy path to aggregate large swaths of spectrum. The record overall establishes that smaller licenses such as PEAs, particularly if coupled with appropriate spectrum aggregation limits, will allow the largest carriers to achieve broad geographic coverage, while enabling participation by a broader array of carriers, including smaller and rural carriers. PEAs therefore would achieve public interest benefits that EAs cannot.

AT&T and Verizon also urge the Commission to adopt package bidding as a principal feature of the auction design. Package bidding likely will negate many of the benefits for rural America by reducing the prospect of increased participation and auction revenues that otherwise

would flow from the adoption of smaller licenses. While larger carriers understandably want to acquire large swaths of spectrum while reducing exposure risk, package bidding is not the ideal way to achieve those goals. Package bidding would significantly increase the complexity of the auction, while enabling larger carriers to game the process in a manner that could foreclose smaller carriers. By contrast, clear, upfront spectrum aggregation limits will reduce the exposure risk for larger carriers while continuing to promote participation by smaller carriers.

DISCUSSION

I. THE RECORD CONFIRMS THAT PEAS ARE AN EFFECTIVE COMPROMISE TO PROMOTE PARTICIPATION AND INCREASE REVENUE WHILE MANAGING COMPLEXITY

A. Small License Sizes are Essential to Promoting Participation and Increase Revenues

The record from the opening round of comments strongly supports CCA’s position that small geographic license sizes are critical to promoting participation by a broad array of carriers, maximizing revenues, and advancing the public interest. U.S. Cellular notes that small licenses “would spur network deployments in rural and other underserved areas,” and “allow for more targeted spectrum acquisitions [that] result in greater efficiencies for carriers of all sizes.”² C Spire urges the Commission to “auction licenses that cover relatively small geographic areas,” in order to “encourage smaller and regional operators to participate in the 600 MHz auction and to promote auction and market competition generally.”³ And WISPA notes that using smaller geographic areas “will afford smaller, regional operators the opportunity to acquire spectrum that

² Comments of United States Cellular Association, (“U.S. Cellular Supplemental Comments”), GN Docket No. 12-268, at 11, 13 (Jan. 9, 2014).

³ Supplemental Comments Cellular South, Inc. d/b/a C Spire Comments (“C Spire Supplemental Comments”), GN Docket No. 12-268, at 1-2 (Jan. 9, 2014).

more precisely overlays existing networks, and will encourage greater participation in the auction.”⁴

By contrast, the record confirms that EAs are too large to achieve these benefits. RWA and NCTA correctly argue that larger EAs are insufficiently granular “to ensure that small businesses and rural carriers have the opportunity to participate in the Incentive Auction.”⁵ The Carolina Companies state that “licensing the band on the basis of EAs will prevent small, rural and regional entities from acquiring spectrum and will effectively prohibit most rural and small entities from participating in the auction at all.”⁶

While many carriers agree with CCA that CMAs provide the ideal license size to maximize these benefits,⁷ the record also establishes that, if the Commission declines to use CMAs due to administrative complexity, the PEA proposal best balances the competing interests of promoting participation and revenues while reducing logistical burdens. As C Spire pointed out, “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

⁴ Supplemental Comments of the Wireless Internet Service Providers Association (“WISPA Supplemental Comments”), GN Docket No. 12-268, at 2 (Jan. 9, 2014).

⁵ Comments of the Rural Wireless Association, Inc. and NTCA – The Rural Broadband Association (“RWA/NCTA Supplemental Comments”), GN Docket No. 12-268, at 7 (Jan. 9, 2014).

⁶ See Joint Comments of Atlantic Telephone Membership Corp., FTC Management Group, Horry Telephone Cooperative, Piedmont Telephone Cooperative, and Sandhill Telephone Cooperative (collectively, the “Carolina Companies Supplemental Comments”), GN Docket No. 12-268, at 2 (Jan. 9, 2014).

⁷ See, e.g., U.S. Cellular Supplemental Comments at 9-14; Comments of Public Service Wireless Services, Inc. (“PSW Supplemental Comments”), GN Docket No. 12-268, at 3 (Jan. 9, 2014); Carolina Companies Supplemental Comments at 3; WISPA Supplemental Comments at 2-5.

opportunity for a more competitive allocation of spectrum through the auction.”⁸ C Spire also recognizes that PEAs would “limit[] the complexity of the incentive auction to a significantly more manageable number of licenses than CMAs would permit.”⁹ PSW argues that, if the Commission declines to use CMAs, it should adopt CCA’s proposal because “the use of PEAs will promote significantly more opportunity, competition, and license dissemination,” as well as “promote deployment relative to rural areas,” compared to EAs.¹⁰ WISPA argues that, for any spectrum not auctioned by CMA, “the Commission should auction according to PEAs that, while larger than CMAs, promote opportunities for small companies to participate in the auction without prohibiting larger bidders from acquiring large spectrum footprints.”¹¹ The Carolina Companies state that “the use of PEAs will promote significantly more opportunity, competition, and license dissemination than auctioning the 600 MHz band spectrum on the basis of EAs.”¹² U.S. Cellular likewise posits that PEAs “would represent a substantial improvement on the EA model.”¹³ And T-Mobile characterizes the PEA proposal as “a reasonable compromise” between larger carriers’ interests in employing larger licenses and smaller carriers’ interests in using smaller licenses.¹⁴

In short, the record in this supplemental round of comments confirms that a wide array of carriers encourage the Commission to adopt small geographic licenses, and agree that CMAs

⁸ C Spire Supplemental Comments at 3

⁹ *Id.*

¹⁰ PSW Supplemental Comments at 4

¹¹ WISPA Supplemental Comments at 5.

¹² *See* Carolina Companies Supplemental Comments, at 4.

¹³ U.S. Cellular Supplemental Comments at 30.

¹⁴ Comments of T-Mobile USA, Inc. (“T-Mobile Supplemental Comments”), GN Docket No. 12-268, at 8 (Jan. 9, 2014).

would best promote participation by smaller and rural carriers. However, if the Commission declines to adopt CMAs, there is widespread agreement that PEAs represent an effective compromise that would retain many of the benefits of CMAs while reducing the complexity of the auction.

B. Using EAs for the Incentive Auction Would Not Serve the Public Interest

AT&T and Verizon continue to promote the use of EAs for the incentive auction, but their arguments are unpersuasive. AT&T merely points to the NPRM's suggestion that EAs would strike an appropriate balance between having sufficient granularity for spectrum reclamation and having a manageable number of licenses for auction design.¹⁵ Since the issuance of the NPRM, however, numerous carriers have confirmed that the use of EAs would severely limit (and, in some instances, entirely prevent) them from participating in upcoming auctions, including the 600 MHz incentive auction.¹⁶ The need to ensure participation by a wide

¹⁵ Comments of AT&T ("AT&T Supplemental Comments"), GN Docket No. 12-268, at 3 (Jan. 9, 2014).

¹⁶ *See, e.g.*, Letter from Ron Smith, President, Bluegrass Cellular, Inc. to Marlene H. Dortch, FCC, GN Docket No. 12-268 at 2 (filed July 10, 2013) ("Bluegrass Cellular will not participate in the 600 MHz spectrum auction if FCC does not license the spectrum in small geographic markets, like CMAs."); Letter from Patrick D. Riordan, President and CEO, New-Cell, Inc. d/b/a Cellcom to Marlene H. Dortch, FCC, GN Docket No. 12-268 at 2 (filed Aug. 5, 2013) ("[If] the Commission adopts EAs for its upcoming auctions, it will not be able to participate."); Letter from Terry Addington, Chief Executive Officer, SI Wireless LLC d/b/a MobileNation, *et al.* to Marlene H. Dortch, FCC, GN Docket No. 12-268 (filed Oct. 17, 2013); Letter from Slayton Stewart, Chief Executive Officer, Carolina West Wireless, Inc. to Marlene H. Dortch, FCC, GN Docket No. 12-268 (filed Oct. 7, 2013); Letter from Jonathan Foxman, President & CEO, MTPCS, LLC d/b/a Cellular One to Marlene H. Dortch, FCC, GN Docket No. 12-268 (filed Oct. 17, 2013); Letter from Counsel for Plateau Telecommunications, Inc. to Marlene H. Dortch, FCC, GN Docket No. 12-268 (filed July 30, 2013); Letter from Counsel for Northwest Missouri Cellular L.P. to Marlene H. Dortch, FCC, GN Docket No. 12-268 (filed July 30, 2013); Letter from Counsel for Chat Mobility to Marlene H. Dortch, FCC, GN Docket No. 12-268 (filed Aug. 8, 2013); Letter from Counsel for Sandhill Communications, LLC to Marlene H. Dortch, FCC, GN Docket No. 12-268 (filed Aug. 21, 2013); Letter from

array of carriers, both to promote competition and potentially to increase auction revenue, counsels in favor of re-evaluating the NPRM's tentative balancing of the interests in ensuring sufficient granularity and avoiding undue complexity. The PEA proposal in fact does precisely that. It recalibrates the balance by providing more licenses (including smaller and more rural licenses) to attract participation, while heeding the Commission's concerns that too many licenses could create excessive complexity in the uniquely challenging context of the incentive auction. PEAs thus achieve the balance that AT&T touts, yet with the added benefit of significantly increasing the likelihood that smaller and rural carriers will be able to compete in the auction.

Verizon prefers EAs so that it can more easily aggregate licenses to achieve broader coverage.¹⁷ Any license size smaller than nationwide licenses will require the largest carriers to undertake additional efforts to obtain the licenses across large geographies. However, the tremendous benefits to the public interest (and likely to the Treasury) of increasing carrier participation substantially outweigh any alleged marginal increase in difficulty Verizon might face in obtaining the large swaths of spectrum it desires, which Verizon (or AT&T) could still buy in smaller geographic sizes. In addition, Verizon is already one of the nation's largest

Counsel for VTel Wireless, Inc. to Marlene H. Dortch, FCC, GN Docket No. 12-268 (filed Sept. 6, 2013); Letter from Counsel for Public Service Wireless Services, Inc. to Marlene H. Dortch, FCC, GN Docket No. 12-268 (filed Sept. 18, 2013); Letter from Counsel for Atlantic Seawinds Communications, LLC to Marlene H. Dortch, FCC, GN Docket No. 12-268 (filed Sept. 18, 2013); Letter from Counsel for N.E. Colorado Cellular, Inc. d/b/a Viaero Wireless to Marlene H. Dortch, FCC, GN Docket No. 12-268 (filed Dec. 9, 2013); *see also* William Lehr and J. Armand Musey, "Right-sizing Spectrum Auction Licenses: The Case for Smaller Geographic License Areas in the TV Broadcast Incentive Auction," ("Lehr/Musey Study"), attached to *Ex Parte* Letter from Steven K. Berry, Competitive Carriers Association, to the Hon. Tom Wheeler, Chairman, Federal Communications Commission, GN Docket No. 12-268 (Nov. 20, 2013).

¹⁷ Comments of Verizon and Verizon Wireless ("Verizon Supplemental Comments"), GN Docket No. 12-268, at 2 (Jan. 9, 2014).

holders of spectrum, including valuable spectrum below 1 GHz; the Commission’s focus in the current highly concentrated environment should be to promote the public interest and competition in the wireless industry, not to promote the private interests of Verizon. Verizon also complains that small licenses can slow deployment in certain areas because there is potentially more co-channel interference to manage.¹⁸ The record indicates that the opposite is true: smaller geographic licenses, which may require lower capital expenditures to build out, can greatly accelerate deployment, particularly to rural and underserved areas.¹⁹

King Street Wireless suggests that adopting PEAs would detract from the “legitimacy” of the incentive auction, as it views certain license sizes as inherently more “legitimate” than others.²⁰ That is misguided. The realities of signal propagation mean that wireless signals will not map perfectly onto *any* artificial geographic unit (whether CMAs, EAs, or any other size); there simply is no man-made boundary that is intrinsically “right” for wireless licensing. Additionally, licenses are partitioned and disaggregated across license boundaries of several geographic sizes and units. Any geographic license size instead is employed to advance other public policy goals, including promoting auction participation, increasing revenues, reducing administrative complexity, etc. PEAs are simply a proposal to promote those interests in the unique context of the incentive auction, and should be judged based on their ability to achieve those goals, rather than their proximity to some idealized, pre-ordained license size. Moreover, PEAs, like other potential license sizes, are competitively neutral; they do not favor any particular carrier, and instead are designed to be an objective unit that can be employed by all

¹⁸ Verizon Supplemental Comments at 3.

¹⁹ See, e.g., U.S. Cellular Supplemental Comments at 11-12, 14-17; PSW Supplemental Comments at 4; Carolina Companies Supplemental Comments at 4.

²⁰ Comments of King Street Wireless, L.P., GN Docket No. 12-268, at 5 (Jan. 9, 2014).

auction participants. In that respect, PEAs are no different than CMAs, EAs, BTAs, MSAs, RSAs, or any other unit that King Street Wireless views as somehow inherently more “legitimate.”²¹

For these reasons, the record confirms that, if the Commission declines to employ CMAs, PEAs provide the best compromise to promote participation by a wide array of carriers while reducing the unique complexity of the incentive auction.²²

C. Additional Adjustments to Improve the Current PEA Map

Finally, CCA asks the Commission to consider several changes to its most recent PEA boundary map, filed on December 23, 2013.²³ When CCA submitted the latest version of the PEA proposal, it “continue[d] to reserve the right to submit additional revisions to the PEA map and county data both during and after the PEAs Public Notice comment period, based on information placed into the record, additional member feedback and other considerations.”²⁴ CCA requests these revisions through its reply comments (and not through an entirely new map file and comprehensive county dataset) for ease of reference:

- Lake and McHenry Counties in Illinois should be merged into PEA 177, and Kenosha County, Wisconsin should remain in PEA 182;

²¹ *Id.*

²² The record similarly confirms that the use of PEAs is not necessary for other upcoming spectrum auctions, such as the AWS-3 auction. *See* Comments of Blooston Rural Carriers, GN Docket No. 12-268, at 9-10 (Jan. 9, 2014) (“Reverse auction concerns are not present with respect to the AWS-3 auction, and CMA licenses were the subject of the most robust bidding and highest per-pop prices in the AWS-1 auction.”); PSW Supplemental Comments at 4, n.9; Carolina Companies Supplemental Comments at 4, n.9.

²³ *See Ex Parte* Letter from C. Sean Spivey, Competitive Carriers Association, Marlene H. Dortch, FCC, GN Docket No. 12-268 (filed Dec. 23, 2013).

²⁴ *Id.* at 1, n.6.

- Brown, Jackson, Jefferson, Shawnee, Osage and Coffey Counties (all in Kansas) should be separated from PEA 270 and made into a separate PEA;
- Dundy County, Nebraska, together with Logan, Morgan, Phillips, Washington and Yuma Counties (all in Colorado) should be separated from PEA 313 and made into a separate PEA;
- McKinley and Cibola Counties in New Mexico, together with Apache County, Arizona, should be separated from PEA 335 and made into a separate PEA;
- Cherry, Grant and Sheridan Counties (all in Kansas), together with Fall River and Custer Counties in South Dakota should be separated from PEA 311 and made into a separate PEA;
- Addison and Rutland Counties in Vermont should be moved into PEA 11;
- The two PEAs within EA 147 (PEAs 361 and 365) should be reconfigured into three PEAs. The first PEA would consist of Spokane County, Washington. The second PEA would consist of Idaho, Lewis, Clearwater, Nez Perce, Latah, Shoshone, Benewah, Kootenai, Bonner and Boundary Counties in Idaho, plus Asotin, Garfield, Lincoln and Whitman Counties in Washington. The third PEA would consist of Ferry, Stevens and Pend Oreille Counties in Washington;
- Walla Walla and Columbia Counties in Washington should be separated from PEA 366 and made into a separate PEA; and
- Yakima, Benton and Franklin Counties in Washington should be separated from PEA 369 and made into a separate PEA.

In addition to these requested changes, CCA welcomes other refinements to the PEA proposal, and is willing to work with interested parties to reach consensus on PEA boundaries.

II. THE COMMISSION SHOULD NOT IMPLEMENT PACKAGE BIDDING

AT&T and Verizon continue to urge the Commission to adopt package bidding for the incentive auction.²⁵ Both invoke concerns about “exposure,” which they claim can suppress bids and harm bidders who seek to acquire large swaths of spectrum.

As CCA and others have explained, package bidding can add significant complexity to the auction, which runs counter to the Commission’s goal of reducing complexity and which can bias the auction proceeding in favor of carriers with the greatest resources to manage complexity,

²⁵ See AT&T Supplemental Comments at 4-9; Verizon Supplemental Comments at 4-7.

such as AT&T and Verizon.²⁶ For example, package bidding can lead to an excess supply of licenses in instances where a bidder stops bidding on a package of licenses for which it is already the provisionally winning bidder—a potential problem with no easy solution.²⁷ Package bidding also tends to create opportunities for the largest carriers to game the system to acquire highly desirable licenses at a discount by packaging them with the most valuable licenses, thereby shielding from other bidders the true value that they ascribe to the licenses.²⁸ As a result, package bidding fundamentally disadvantages small, midsize, and rural carriers.²⁹ Adopting package bidding therefore would undo many of the benefits to rural America that would flow from the use of small license sizes, such as CMAs or PEAs.

Moreover, there are alternative methods to reduce alleged exposure concerns for large bidders without importing the competitive harms associated with package bidding. As T-Mobile persuasively demonstrates, appropriate spectrum aggregation limits will reduce the exposure risk to manageable levels, and render package bidding superfluous.³⁰ Thus, it is possible for the Commission to promote participation in the auction and ensure that one or two bidders do not dominate without having to employ package bidding.

²⁶ See, e.g., U.S. Cellular Supplemental Comments, at 40-43; T-Mobile Supplemental Comments; see also Comments of Competitive Carriers Association, GN Docket No. 12-268, at 18 (Jan. 25, 2013); Comments of Leap Wireless International, Inc. and Cricket Communications, Inc., GN Docket No. 12-268, at 9 (Jan. 25, 2013); Comments of U.S. Cellular, GN Docket No. 12-268, at 51-57 (Jan. 25, 2013); Comments of MetroPCS, GN Docket No. 12-268, at 13 (Jan. 25, 2013).

²⁷ T-Mobile Supplemental Comments, at 3-4.

²⁸ *Id.* at 4-6; U.S. Cellular Supplemental Comments, at 33-35.

²⁹ See, e.g., Comments of Rural Telecommunications Group, GN Docket No. 12-268, at 9 (Jan. 25, 2013).

³⁰ See T-Mobile Supplemental Comments, at 6.

The record in this proceeding weighs heavily against package bidding—it isn't necessary to implement smaller geographic license sizes.³¹ Rather, any use of package bidding will reduce participation by smaller and rural carriers and enable AT&T and Verizon to squeeze out competitors and further solidify their market dominance.

CONCLUSION

For the foregoing reasons, and for the reasons stated in CCA's supplemental comments, the Commission should adopt small license sizes for the upcoming incentive auction, to promote participation by small, midsize, and rural carriers and to increase auction revenues. Although CMAs are the ideal license size to achieve those goals, PEAs represent an appropriate compromise that would mitigate the unusual complexity of the incentive auction. The Commission should not, however, adopt package bidding unless absolutely necessary.

Respectfully submitted,

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³¹ However, should the Commission disagree and deem *some* package as absolutely necessary to implement smaller geographic license sizes, CCA urges the Commission to narrowly tailor the size of such a package as much as possible. *See* CCA Supplemental Comments, at 8.