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*Filed Electronically Via ECFS*

Marlene H. Dortch, Secretary  
Office of the Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW, Room TW-A325  
Washington, DC 20554

**RE: EX PARTE PRESENTATION**

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

**GN Docket No. 13-185:** *Amendment of the Commission's Rules with Regard to Commercial Operations in the 1695-1710 MHz, 1755-1780 MHz, and 2155-2180 MHz Bands*

Dear Ms. Dortch:

The undersigned counsel, on behalf of the Blooston Rural Carriers,<sup>1</sup> hereby submits this *ex parte* letter in response to a March 20 presentation filed in the above-listed dockets by Verizon.<sup>2</sup> Verizon's *ex parte* filing cites "deficiencies" in a consensus Partial Economic Area ("PEA") licensing model that was developed by the Competitive Carriers Association ("CCA"), NTCA – The Rural Broadband Association ("NTCA"), the Rural Wireless Association, Inc. ("RWA") and the Blooston Rural Carriers (collectively, the "Consensus Parties"),<sup>3</sup> and it enters into the record an alternative geographic licensing proposal based on OMB 2013 Metropolitan Statistical Area ("MSA") boundaries.

<sup>1</sup> The Blooston Rural Carriers have previously been identified in the record of these proceedings. *See, e.g.*, Comments of the Blooston Rural Carriers, GN Docket Nos. 12-268, 13-185 at 12 (filed Jan. 9, 2014).

<sup>2</sup> *See* Letter from Tamara Preiss, Verizon, to Marlene H. Dortch, Secretary, FCC, GN Docket Nos. 12-268, 13-185 (filed March 20, 2014) ("*Merged MSA Proposal*").

<sup>3</sup> *See* Letter from CCA, NTCA, RWA and the Blooston Rural Carriers, GN Docket Nos. 12-268 and 13-185 (filed March 20, 2014) (the "*Rural Consensus PEA Proposal*").

The Blooston Rural Carriers are unable to support Verizon's *Merged MSA Proposal*, because it will unduly favor nationwide carriers like Verizon, while restricting the ability of rural and competitive carriers to meaningfully participate in upcoming FCC auctions. The *Merged MSA Proposal* divides the U.S. into just 218 geographic license areas, which offers little improvement over the 176 EAs that the FCC initially proposed, and in certain ways is actually worse. Many of the "new" MSAs are enlarged (some significantly so), and smaller market areas are often grouped into larger MSA "clusters," putting them even further out of reach for the possibility of bidding by smaller carriers. More to the point, if the FCC were to adopt Verizon's proposed service areas, most (if not all) of the smaller PEA service areas that the Consensus Parties have worked hard to create would be eliminated and replaced with much larger license sizes that have little in common with geographic areas where rural and competitive carriers currently offer wireless service.

Verizon asserts that their proposal "achieves what we understand to be a key objective of the rural carriers - separating rural and urban areas to the greatest extent possible." However, the Blooston Rural Carriers' primary concerns are (1) that EAs are simply too large for most small/rural carriers, and (2) that the Commission needs to make smaller geographic areas available for initial licensing in order for these companies to have a realistic opportunity to compete. Cellular Market Areas ("CMAs") conform to the areas where many incumbent service providers already hold licenses and have wireless operations. Carving out the urban and growing semi-urban areas for nationwide carriers like Verizon while leaving vast "EA minus urban" areas for small carriers to bid is a non-starter. This proposal would take the more desirable counties necessary to maintain a business case out of the rural CMAs; and it will prevent many rural carriers from being able to obtain licenses that cover their entire incumbent service territory, further undercutting their ability to compete. In this regard, many of Verizon's proposed license areas are far too big for most small companies to consider and their use will suppress auction participation by the Blooston Rural Carriers and others.

Verizon also uses its *Merged MSA Proposal* to further lobby the Commission in support of package bidding. Verizon contends that efforts to work with other carriers on smaller license sizes were "premised on the understanding that the use of smaller license areas would be accompanied by the ability to submit package bids," and they condition their support for their own proposal on the availability of package bidding. Without package bidding, Verizon argues that it will have an "exposure problem," and claims it will be at risk of not being able to acquire a sufficient number of licenses to implement a business plan. However, package bidding would allow large carriers to obtain licenses without having to bid head-to-head against small and regional competitors, whose participation would likely drive up auction proceeds.<sup>4</sup>

Some specific examples of how small, rural carriers such as the Blooston Rural Carriers would be negatively impacted by Verizon's *Merged MSA Proposal* are outlined below:

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<sup>4</sup> See 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") at pps. 22-25, provided as attachment 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).

## **Iowa**

Under the Verizon proposal, Guthrie and Madison Counties from Iowa 7 – Audubon (CMA418) and Story County from Iowa 10 – Humbolt (CMA421) would be swept into an expanded Des Moines MSA. This would make it extremely difficult for rural and independent telephone companies that are focused on serving rural communities outside of Des Moines to obtain the spectrum they need to improve and expand upon their services. Likewise, rural Grundy County from Iowa 11 – Hardin (CMA422) would be added to the expanded Waterloo-Cedar Falls MSA, and all of the counties in EA103 except Iowa Co. (Benton Co., Linn Co., Jones Co., Johnson Co. and Washington Co.) would be combined into a single Cedar Rapids-Iowa City MSA cluster that would join with Waterloo-Cedar Falls to the NW and with Dubuque to the NE. A significant number of Iowa’s rural and independent telephone companies and telephone cooperatives, including Cascade Communications and its affiliate MAC Wireless, have obtained wireless licenses and provide mobile wireless services to their rural communities. These small companies will need additional broadband spectrum, but would be precluded from bidding on areas of interest if the rural counties are rolled into MSAs and the MSAs are then rolled into MSA clusters, as Verizon has proposed. Nationwide carriers would have little incentive to extend service quickly to rural communities, unlike independent companies and cooperatives that have a significant interest in serving their existing customers and cooperative members.

## **New Mexico**

Under Verizon’s proposal, Las Cruces and rural portions of Dona Ana County would be merged in an MSA cluster with the densely populated El Paso MSA in Texas. This would preclude small New Mexico rural telephone companies, such as Peñasco Valley Telephone Cooperative and its Fuego Wireless affiliate, from being able to bid on areas that are important to them in New Mexico. Likewise, keeping EA138 as single license area would stick a vast portion of northwestern Texas onto a service area that covers northeastern New Mexico. In addition, rural Grant, Luna and Hidalgo Counties in the southwestern corner of New Mexico are merged with Phoenix exurbs in EA158. This will make it nearly impossible for a New Mexico rural carrier to obtain the spectrum it needs to serve rural communities in southwestern New Mexico, and these deeply rural border areas would likely be of little interest to the Phoenix exurbs winner.

## **South Dakota**

Under Verizon’s proposal, the Sioux Falls MSA would be expanded from one county (Minnehaha Co., SD) to four, adding McCook County to the west, and Turner and Lincoln Counties to the south. Verizon’s proposal would also create a contiguous MSA cluster that includes the enlarged Sioux Falls MSA and the expanded Sioux City, IA-NE-SD MSA, which covers portions of three states. The Sioux City MSA counties would include Union County, SD, Dixon and Dakota Counties in NE, and Woodbury County in IA. Expanding the Sioux Falls MSA cluster in this manner would take these key rural counties off the table for bidding by South Dakota’s rural and independent telephone companies, and a nationwide carrier would have little incentive to serve outlying communities in these areas if it is able to meet its buildout

obligation by focusing on urban areas. In the Rapid City area, Verizon's proposal would combine multiple tribal areas in EA 115 along the Nebraska border with large counties in northwestern Nebraska. This would result in a single rural service area that is far too large for rural and independent carriers to realistically bid or provide service, and companies that are interested in serving tribal lands (or the tribes themselves) would be precluded from bidding on a license that is so large. Moreover, including Custer and Fall River Counties in this large rural license, which have a significant economic nexus with Rapid City, would likely draw bidding from companies that have little or no interest in serving rural and tribal areas. SDTA represents several rural carriers that have a long history of bringing advanced services to the communities they serve, but these carriers will be put at a significant disadvantage under the Verizon proposal.

### **Utah/Wyoming**

Under Verizon's proposal, Summit Co., UT (immediately E of Salt Lake City and currently part of UT-2 Morgan (CMA674) along the SW border of Wyoming would be included as part of an enlarged Salt Lake City MSA cluster. This would take an area where rural telephone companies have a significant interest off the table for bidding. Blooston Rural Carrier Strata Networks accepts that Verizon may outbid them, if Verizon really wants to serve that CMA. However, by putting portions of CMA674 into an MSA cluster, Strata and its members have no realistic chance to win that area, as they cannot afford and have no interest in taking on the buildout of an entire MSA group. This would reduce the competitiveness of bidding in the auction, and a large carrier would have little reason to serve this specific area since it could easily satisfy its buildout obligation by serving more densely populated areas of the MSA cluster. The remaining rural portions of EA152 are far too large for small and rural companies to realistically bid. Likewise, Verizon would keep EA143 (which includes a majority of the state of Wyoming) as a single license area. This is much too large for any small or rural carrier to successfully win at auction, even though rural carriers are the most likely to provide service in these portions of a very sparsely populated state.

The above are only a few examples of obstacles that Verizon's *Merged MSA Proposal* would create for potential bidders in the forward auction of 600 MHz spectrum.

The Blooston Rural Carriers continue to believe that CMAs are the most pro-competitive license size for spectrum auctions, and applaud the Commission for its recent decision to use CMA licensing for a portion of the AWS-3 bands.<sup>5</sup> Therein Commission correctly concluded that "[l]icensing some areas by CMA will encourage the dissemination of licenses among a variety of applicants, including small businesses, rural telephone companies, and businesses owned by members of minority groups and women, as required by Section 309(j) of the Act."<sup>6</sup> The Commission also found that "licensing one block by CMAs will enable smaller carriers to serve smaller less dense population areas that more closely fit their smaller footprints."<sup>7</sup>

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<sup>5</sup> See Amendment of the Commission's Rules with Regard to Commercial Operations in the 1695-1710 MHz, 1755-1780 MHz, and 2155-2180 MHz Bands, *Report and Order*, FCC 14-31 (rel. March 31, 2014) (AWS-3 R&O) at Para. 48.

<sup>6</sup> *Id.* at Para. 49

<sup>7</sup> *Id.*

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However, if the Commission declines to provide for CMA licensing for a portion of the 600 MHz spectrum made available in the broadcast incentive auction, the Consensus Parties' PEA service area proposal would be far preferable to Verizon's *Merged MSA Proposal* or a 600 MHz band licensing model that is based on EAs alone. Likewise, the Commission must resist any call for package bidding for 600 MHz licenses.

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

Respectfully submitted,

**THE BLOOSTON RURAL CARRIERS**

A handwritten signature in black ink, appearing to read "Cary Mitchell". The signature is fluid and cursive, with a large initial "C" and "M".

D. Cary Mitchell  
John A Prendergast  
Their Counsel

cc (via email): John Leibovitz  
Chris Helzer  
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Paul Malmud  
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