

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

In the Matter of	)	
	)	
Auction of Advanced Wireless Services	)	AU Docket No. 14-78
Licenses; Competitive Bidding Procedures for	)	
Auction 97	)	

**REPLY COMMENTS OF CELLULAR SOUTH, INC.**

Cellular South, Inc. (d/b/a C Spire Wireless) (“C Spire”) submits this reply to comments regarding the Public Notice (“PN”) issued in the above-captioned proceeding.<sup>1</sup> With this PN, the Commission has proposed rules for the auction of 1,614 licenses in the AWS-3 bands (1695-1710 MHz, 1755-1780 MHz, and 2155-2180 MHz (the “AWS-3 bands”)) in Auction 97.

The comments submitted in response to the PN reflect substantial agreement that the Commission should pursue the proposed Simultaneous Multiple Round (“SMR”) auction procedures without package bidding. And, within the context of such an auction, “blind” or anonymous bidding procedures will enable the Commission to satisfy its congressionally mandated goal of designing and implementing an auction that promotes economic growth and competition in the wireless industry.<sup>2</sup> Additionally, the Commission should adopt commenters’ recommendations to reduce the proposed minimum opening bid calculation and incremental

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<sup>1</sup> *Auction of Advanced Wireless Services Licenses; Comment Sought on Competitive Bidding Procedures for Auction 97, AU Docket No. 14-78, Public Notice, DA 14-669 (rel. May 19, 2014) (“Public Notice”).*

<sup>2</sup> *See 47 U.S.C. § 309(j)(3)(B); Middle Class Tax Relief and Job Creation Act of 2012, Pub. L. No. 112-96, § 6401, 126 Stat. 156 (2012).*

minimum bid so as to maximize the ability of carriers of all sizes and new entrants to compete effectively for AWS-3 spectrum at auction.

## **I. COMMENTERS SUPPORT C SPIRE'S RECOMMENDED AUCTION PROCEDURES**

### **A. The record supports an SMR Auction of the AWS-3 bands without package bidding.**

C Spire is joined by other carrier commenters in supporting the Commission's proposal to conduct a Simultaneous Multiple-Round (SMR) auction of the AWS-3 bands without package bidding. And, C Spire agrees with those carrier commenters that suggest, because the Commission will be auctioning two different types of bands – one paired (1755-1780 and 2155-2180), one unpaired (1695-1710) – each band should be treated separately.<sup>3</sup> As T-Mobile urges, the Commission should apply the SMR approach separately to the auction of each the paired and unpaired band.<sup>4</sup>

The benefits of SMR auctions for paired spectrum are well established by the Commission's own experience. The Commission has successfully used a standard SMR design (without package bidding) several times, including in recent Auctions 58, 66, 71 and 96. That history demonstrates SMR bidding generates the most information about license values throughout an auction and gives bidders the opportunity to pursue contingency strategies, which effectively increases overall participation. It is then no surprise that the Commission has

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<sup>3</sup> See, T-Mobile Comments at p. 3; Dish Comments at pp. 3-4.

<sup>4</sup> See, T-Mobile Comments at p. 3.

previously designated SMR as its “preferred competitive bidding design” and noted that an SMR structure is most likely to “award independent licenses to the bidders who value them most.”<sup>5</sup>

Specifically, C Spire shares the concern, expressed by other commenters, that the benefits available from an SMR auction of the AWS-3 bands would be undermined by auction rules that disadvantage competitive bidders and thereby substantially reduce the likelihood of success for small and regional carriers in Auction 97.

Most importantly, the Commission must not adopt package bidding for the AWS-3 bands. Other competitive carrier commenters echo C Spire’s objection to package bidding.<sup>6</sup> The critical concern is this: package bidding unnecessarily grants the two largest carriers a substantial auction advantage. As CCA puts it, “[p]ackage bidding adds significant complexity to the bidding process and provides a distinct advantage at auction to larger carriers with substantial resources.”<sup>7</sup>

Moreover, Verizon’s assertion that package bidding is necessary to mitigate “exposure” problems that might result should it fail to acquire all the licenses it desires rings hollow in light of its previous advocacy in the underlying AWS-3 auction proceeding.<sup>8</sup> As U.S. Cellular notes, both AT&T and Verizon have argued that “larger license areas, such as the EA-based licenses adopted for [most] of [the] spectrum being offered in Auction 97, would significantly mitigate the ‘exposure’ risks they allegedly would face if they could not submit bids on packages of

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<sup>5</sup> See, *Implementation of Section 309(j) of the Communications Act – Competitive Bidding*, PP Docket No. 93-253, Second Report and Order, FCC 94-61 (rel. April 20, 1994).

<sup>6</sup> See, USCC Comments at pp. 7-8; CCA Comments at pp. 9-10.

<sup>7</sup> CCA Comments at p. 9.

<sup>8</sup> Verizon Comments at pp. 9-10.

smaller license areas.”<sup>9</sup> Given that the Commission has adopted EA license-sizes for most of the AWS-3 bands, the Bells’ exposure concerns are assuaged already. Conversely, the risk that package bidding by the Bells could altogether foreclose smaller, competitive wireless carriers from winning licenses that may be critical to their existing operating areas remains quite real. The Commission can and should not allow package or combinatorial bidding in Auction 97 in order to eliminate this risk to smaller carriers.

**B. “Blind” or anonymous bidding reduces the risk of retaliatory bidding and collusion.**

Several commenters agree with C Spire that the Commission should auction the AWS-3 bands on a “blind” basis.<sup>10</sup> In addition to preventing retaliatory bidding by larger operators who might seek to limit smaller competitors from expanding into new operating areas, anonymous bidding also limits other market harms both during and after the auction. For example, anonymous bidding can help to limit opportunities for parties to collude and coordinate bidding strategies and to focus their purchasing power on spectrum blocks in a manner that may foreclose other carriers from scale economies needed to access iconic devices.

C Spire disagrees with commenters who assert that blind bidding increases the post-auction risk of signal interference among operators or a lack of available roaming partners.<sup>11</sup> These critical competitive issues can and have been addressed effectively and directly by the Commission through pre-auction service rules. Yet, it remains critical that the Commission protect competitive operators and new entrants against potential retaliatory bidding by the largest

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<sup>9</sup> USCC Comments at p. 8.

<sup>10</sup> See, Dish Comments at pp. 14-16; AT&T Comments at pp. 1-2.

<sup>11</sup> See, CCA Comments at pp. 8-9; USCC Comments at pp. 9-13.

operators. The best and most efficient way to accomplish this is through the utilization of anonymous bidding procedures in Auction 97.

## **II. C SPIRE SUPPORTS RECOMMENDATIONS TO REDUCE THE PROPOSED MINIMUM OPENING BIDS AND BID INCREMENT LIMIT**

In the PN, the Commission has proposed a minimum opening bid value of \$0.15 per MHz-POP for paired AWS-3 band licenses.<sup>12</sup> But, in its comments, Verizon urges the Commission to utilize a \$0.05 per MHz-POP minimum opening bid calculation.<sup>13</sup> Verizon notes that in the AWS-1 auction the minimum opening bid formula was based on \$0.05 per MHz-POP in urban areas and \$0.03 per MHz-POP in rural areas.<sup>14</sup> The proposed three-hundred percent (300%) increase (potentially more in rural areas) in the minimum opening bid value for similarly-situated paired spectrum could unnecessarily place the paired AWS-3 bands beyond the reach of smaller, competitive operators.

Also, C Spire agrees with commenters that urge the Commission to reduce the proposed minimum acceptable bid increment limit of thirty percent (30%) to no more than twenty percent (20%).<sup>15</sup> Bidders who seek to bid at a lower incremental increase should not be foreclosed from participation at auction. The proposed thirty percent increment could have a chilling effect on the participation of smaller, competitive operators or new entrants, which, compared to the largest wireless providers, have inequitable access to capital. As a result, C Spire supports the proposals urging the Commission to lower the minimum opening bid value and to reduce the minimum acceptable bid limit to 20 percent.

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<sup>12</sup> See, PN at ¶¶ 54, 56; Verizon Comments at pp. 5-6; USCC Comments at pp. 17-18.

<sup>13</sup> See, Verizon Comments at p. 6.

<sup>14</sup> Id.

<sup>15</sup> See, PN at ¶ 62.

### III. CONCLUSION

The auction of the AWS-3 bands for mobile broadband services is an important opportunity for economic growth and improved access for American wireless consumers. The Commission has a substantial opportunity to enable operators to put this new spectrum to use quickly – especially in rural and underserved areas of the country. But, for that opportunity to become reality, Auction 97 must be conducted in a manner that is unburdened by complex and competitively harmful package bidding, that utilizes anonymous bidding procedures, reasonable opening bid calculations, and incremental bid minimums that will serve to further enhance the revenue and public interest benefits resulting from the auction and subsequent deployments.

Respectfully submitted,

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