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

In the Matter of

Updating Part 1 Competitive Bidding Rules
Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions
Petition of DIRECTV Group, Inc. and EchoStar LLC for Expedited Rulemaking to Amend Section 1.2105(a)(2)(xi) and 1.2106(a) of the Commission’s Rules and/or for Interim Conditional Waiver
Implementation of the Commercial Spectrum Enhancement Act and Modernization of the Commission’s Competitive Bidding Rules And Procedures

WT Docket No. 14-170
GN Docket No. 12-268
RM-11395
WT Docket No. 05-211

REPLY COMMENTS OF THE RURAL WIRELESS ASSOCIATION, INC.

RURAL WIRELESS ASSOCIATION, INC.

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Summary

The Rural Wireless Association, Inc. (“RWA”) files these reply comments in response to the comments filed in response to the Federal Communications Commission’s (“FCC” or “Commission”) Notice of Proposed Rulemaking regarding its designated entity (“DE”) and competitive bidding rules.

The evolution of the wireless marketplace from mobile voice to mobile broadband has led to an increased need for spectrum, which means that bidding credits are more important to small and rural service providers than ever before. Creation of a Rural Telco Bidding Credit is particularly important for the 600 MHz Broadcast Incentive Auction (“Incentive Auction”) because low-band (below 1 GHz) spectrum is well-suited to providing robust broadband coverage in rural areas. Also, without a Rural Telco Bidding Credit, some Partial Economic Areas (“PEAs”) are large enough to preclude auction participation by rural carriers, and/or impede the successful buildout of a winning rural carrier’s license. If the Commission decides against offering a Rural Telco Bidding Credit, RWA urges the adoption of additional public interest bidding credits to carriers that meet certain public interest objectives associated with delivering mobile broadband to rural areas – including the deployment of facilities to unserved or underserved areas.

RWA believes that modifications to the Attributable Material Relationship (“AMR”) rule could facilitate legitimate relationships among small businesses and rural wireless carriers and still safeguard against abuse. Where spectrum is acquired with bidding credits, the Commission should continue to apply the AMR rule to DEs that lease their spectrum to nationwide wireless carriers. However, relationships between rural telephone companies aimed at obtaining spectrum for rural service should not cause a loss of bidding credit eligibility.
Where spectrum is acquired without bidding credits, DEs should be able to freely lease spectrum to any qualified user without being subject to the AMR rule.

RWA supports the adoption of a mechanism that would allow a winning bidder to deduct from its auction purchase price the pro rata value (as determined by population percentage) of any portion of its winning license area partitioned to a rural carrier so long as the partitioned area includes all or a portion of the rural carrier’s service area. Such a mechanism would encourage larger carriers to facilitate rural carrier participation in the provision of wireless services. Further, RWA supports the Commission’s tentative conclusion that it is in the public interest to retain its current rules regarding joint bidding arrangements among non-nationwide providers. RWA opposes AT&T’s suggestion that the Commission drastically limit joint bidding by requiring auction applicants that wish to coordinate their bidding to form bidding consortia and banning all other joint bidding arrangements.

RWA understands (and shares) the Commission’s desire to prevent ineligible entities from receiving DE benefits, but is concerned that extending the length of the unjust enrichment payment schedule could deter investment and limit the ability of small and rural carriers to participate in the provision of spectrum-based services, contrary to the aims of this proceeding. Further, RWA supports the Commission’s proposal to eliminate the annual DE reporting requirement, and opposes the imposition of additional unnecessary regulatory hoops upon DEs, including a requirement that DEs demonstrate license build-out activity within one year of acquiring a license.
To: The Commission

REPLY COMMENTS OF THE RURAL WIRELESS ASSOCIATION, INC.

The Rural Wireless Association, Inc. (“RWA”)¹ hereby files these reply comments in response to the comments filed in response to the Federal Communications Commission’s (“FCC” or “Commission”) Notice of Proposed Rulemaking in the above-captioned proceedings.²

¹ RWA is a 501(c)(6) trade association dedicated to promoting wireless opportunities for rural telecommunications companies that serve rural consumers and those consumers traveling to rural America. RWA’s members are small businesses serving or seeking to serve secondary, tertiary, and rural markets. RWA’s members are comprised of both independent wireless carriers and wireless carriers that are affiliated with rural telephone companies. Each of RWA’s carrier member companies serves fewer than 100,000 subscribers.

² In the Matter of Updating Part 1 Competitive Bidding Rules, Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions, Petition of DIRECTV Group, Inc. and EchoStar LLC for Expedited Rulemaking to Amend Section 1.2105(a)(2)(xi) and 1.2106(a) of the Commission’s Rules and/or for Interim Conditional Waiver, Implementation of
I. THE COMMISSION SHOULD REVISE ITS RULES REGARDING BIDDING CREDITS.

One of the principal means by which the Commission fulfills its mandate under Section 309(j) of the Communications Act to promote “economic opportunity and competition…by avoiding excessive concentration of licenses and by disseminating licenses among a wide variety of applicants, including small businesses [and] rural telephone companies….” is through the award of bidding credits. The evolution of the wireless marketplace from mobile voice to mobile broadband has led to an increased need for spectrum, which means that bidding credits are more important to small and rural service providers than ever before. As discussed in its comments filed in this proceeding, RWA supports increasing the small business bidding credit eligibility revenue thresholds, the creation of a bidding credit for rural telephone companies and their subsidiaries, and additional bidding credits to carriers meeting certain public interest criteria.

a. The Commission Should Further Increase the Small Business Credit Revenue Thresholds.

There is strong support in the record for the Commission’s proposal to increase the current small business bidding credit revenue thresholds. Under this proposal:

- Businesses with average annual gross revenues for the preceding three years not exceeding $4 million would be eligible for a 35 percent bidding credit;

_3 See DE NPRM at ¶ 4; see also 47 U.S.C. § 309(j)(3)(B)._  
Businesses with average annual gross revenues for the preceding three years not exceeding $20 million would be eligible for a 25 percent bidding credit; Businesses with average annual gross revenues for the preceding three years not exceeding $55 million would be eligible for a 15 percent bidding credit.

RWA supports the Commission’s proposal, and urges the Commission to further facilitate spectrum licensing to small businesses and rural telephone companies by modifying the third tier regarding eligibility for the 15 percent bidding credit. RWA carrier members (the vast majority of which serve fewer than 10,000 subscribers) are some of the smallest wireless service providers in the country, with approximate annual average gross revenues (including affiliates) that range from $11 million to $65 million. Because some rural carriers’ revenues are higher than $55 million annually and to allow for growth, RWA believes that the revenue threshold for the third tier should be increased to average annual gross revenues not exceeding $100 million for the preceding three years.

A modest increase in the revenue threshold would help to bridge the tremendous resource gap that negatively affects all but the very largest corporations,5 and still reserve the largest bidding credits for the smallest companies. Of the 38 rural telephone entities that participated in the recently concluded AWS-3 Auction, 17 did not receive bidding credits. Of the 11 rural entities that won licenses, only five were bidding credit eligible.6 Increasing the revenue threshold for the third tier to $100 million would further the goals of Section 309(j) by facilitating spectrum acquisition by a greater number of small businesses and rural telephone companies.

5 See Auction Reform Coalition Comments at p. 22 (advocating increased revenue tiers of $9 million, $45 million, and $120 million, respectively).
b. The Commission Should Adopt a Rural Telephone Company Bidding Credit.

As noted by the Blooston Rural Carriers, increasing the small business size thresholds alone will not ensure that rural carriers are given a meaningful opportunity to participate in the provision of spectrum-based services. The current bidding credit rules targeted at small businesses are insufficient to provide meaningful opportunities for the nation’s small, rural wireless companies. In prescribing the regulations governing competitive bidding systems, the Commission must “ensure that small businesses [and] rural telephone companies…are given the opportunity to participate in the provision of spectrum-based services, and, for such purposes, consider the use of tax certificates, bidding preferences, and other procedures…” In addition to RWA and the Blooston Rural Carriers, other commenters expressed their support for the creation of a bidding credit for entities that qualify as a “rural telephone company” under the Act, or a subsidiary or affiliate of a qualified rural telephone company (“Rural Telco Bidding Credit”).

As RWA noted in its comments, the class of carriers entitled to such a bidding credit should be expanded beyond rural wireless carriers that are subsidiaries of, or affiliated with, rural telephone companies to include some independent rural wireless companies that are not affiliated with rural telephone companies that nonetheless serve rural consumers. These entities would not usually be considered rural telephone companies under the Act but, for the purposes of determining rural telco bidding credit eligibility – the Commission should treat them as such. Specifically, the term “local exchange carrier” in Section 153(32) of the Act should be interpreted by the Commission to include providers of commercial mobile radio service. This

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7 Blooston Comments at p. 9; see also Cerberus Comments at p. 4.
would allow some independent rural wireless carriers that would otherwise fail to qualify as rural telephone companies under the Act to be eligible for the credit. This interpretation would help the Commission to meet its mandate to promote “the development and rapid deployment of new technologies, products, and services” in rural areas.\(^\text{10}\)

Creation of a Rural Telco Bidding Credit is particularly important for the 600 MHz Broadcast Incentive Auction ("Incentive Auction") because of the type of spectrum that will be made available to bidders. As has been made clear in the record, low-band (below 1 GHz) spectrum is tremendously important in providing robust broadband coverage in rural areas. As noted in *Digital Crossroads: Telecommunications Law and Policy in the Internet Age*, “[l]ow-band spectrum presents the most significant advantages in sparsely populated rural areas, where its superior propagation characteristics enable providers to build fewer cell towers that cover larger cells.”\(^\text{11}\) The Commission has recognized “the importance of access to low-band spectrum to promote variety in licensees and the advancement of rural deployment as directed by Section 309(j).”\(^\text{12}\) The technical superiority of low band spectrum does not, unfortunately, equate to greater use of such spectrum in rural areas. RWA agrees with other commenters that a Rural Telco Bidding Credit should be at least 25%, and should be available to eligible entities in addition to the small business bidding credit.\(^\text{13}\) Given that rural carriers received less than $1

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\(^{13}\) *Blooston Comments* at p. 5; *NTCA Comments* at p. 4; and *Cerberus Comments* at p. 4. *See also* Comments of NTCH, WT Docket No. 14-170, GN Docket No. 12-268, RM-11395, WT Docket No. 05-211, at p. 5-6 (noting that “15%, 25% and even 35% discount have had little impact on the ability of DEs to win auctions,” and calling for a total bidding credit aggregation limit of 80%) (“NTCH Comments”).
million (0.024%) of the $3.57 billion in Auction 97 bidding credits, allowing cumulative bidding credits is warranted.

The Commission’s decision to use Partial Economic Areas (“PEAs”) in the Incentive Auction rather than smaller Cellular Market Areas (“CMAs”) is another reason to create a Rural Telco Bidding Credit. The use of CMAs allows rural carriers to compete for licenses at auction that correspond with their service territories and preexisting license areas. Larger license areas often include more densely populated areas and cover larger geographic regions than rural carriers serve. Though PEAs are a vast improvement over Economic Areas (“EAs”), their use in lieu of CMAs could exacerbate auction difficulties experienced by rural carriers.¹⁴ Without a Rural Telco Bidding Credit, some PEAs are still large enough to preclude auction participation by rural carriers, and/or impede the successful buildout of a winning rural carrier’s license.¹⁵

c. If the Commission Declines to Adopt a Rural Telephone Company Bidding Credit, It Should Award Additional Bidding Credits to Carriers Meeting Certain Public Interest Criteria and to Designated Entities that Deploy Facilities to Unserved or Underserved Areas.

If the Commission decides against offering a rural telco bidding credit, RWA urges the adoption of additional public interest bidding credits to carriers that meet certain public interest objectives associated with delivering mobile broadband to rural areas. In addition to the currently employed revenue-based bidding credits, RWA supports the award of additional bidding credits to small carriers that currently provide mobile wireless service to rural areas and have a history of offering telecommunications services to rural markets.¹⁶

¹⁴ Cerberus Comments at p. 4; Blooston Comments at p. 9-10 (noting that of the 26 total licenses won by rural carriers in Auction 97, 23 were CMA licenses and just two were the larger EA licenses).
¹⁵ Cerberus Comments at p. 4 (supporting a Rural Telco Bidding Credit because there is a risk that “the capital resources necessary to meet any build out requirements would exceed [its] financial ability to fund the investments”).
¹⁶ RWA Comments at p. 6-7.
Additionally, several commenters have expressed support for bidding credits for winning bidders that deploy facilities to unserved or underserved areas. RWA continues to support the use of such credits, and agrees that such credits should be available only to designated entities (“DEs”) in order to maximize their beneficial competitive impact. Further, these credits should be cumulative with any small business credits as well as the public interest credits proposed by RWA, and should be calculated independently from any receipt of USF funds. RWA also agrees that such credits should be modeled after Tribal bidding credits to the extent that they are based on actual deployment and not just the promise to deploy.

II. CAREFULLY IMPLEMENTED ATTRIBUTABLE MATERIAL RELATIONSHIP RULE MODIFICATIONS COULD PROVIDE BONA FIDE DESIGNATED ENTITIES WITH NECESSARY FLEXIBILITY AND PREVENT ABUSE.

In its Comments, RWA expressed its concern regarding the Commission’s proposal to eliminate the Attributable Material Relationship (“AMR”) rule in light of the recent AWS-3 Auction. RWA understands the Commission’s challenge of balancing the competing goals of: (1) affording DEs flexibility to obtain necessary capital; and (2) preventing the unjust enrichment of ineligible entities. RWA agrees with the Blooston Rural Carriers that modifications to the

17 Comments of Competitive Carriers Association, WT Docket No. 14-170, GN Docket No. 12-268, RM-11395, WT Docket No. 05-211, at p. 8 (“CCA Comments”); WISPA Comments at p. 9; NTCH Comments at p. 5.
19 CCA Comments at p. 8.
20 Id. at pp. 8-9 (noting that “[e]xcluding geographic areas from bidding credit eligibility on the basis of USF funding would be counter-productive to carriers already providing service to rural, unserved and underserved areas”).
21 WISPA Comments at p. 9 (stating that, like Tribal bidding credits, a bidding credit based on unserved/underserved areas would not require the immediate reduction in the winning bid amount).
22 RWA Comments at pp. 13-15.
AMR rule could facilitate legitimate relationships among small businesses and rural wireless carriers and still safeguard against abuse.  

In situations where spectrum is acquired with bidding credits, the Commission should continue to apply the AMR rule to DEs that lease their spectrum to nationwide wireless carriers. However, the Commission should recognize that relationships between rural telephone companies aimed at obtaining spectrum for rural service benefit the public interest. Given the frequent use of EA geographic license areas, a rural carrier’s spectrum license is likely to extend past the border of its existing service territory and contain rural areas served by another rural carrier. One rural carrier leasing spectrum obtained with bidding credits to another rural carrier does not pose any threat to the auction process, and should not cause a loss in bidding credit eligibility. In situations in where spectrum is acquired without bidding credits, DEs should be able to freely lease spectrum to any qualified user without being subject to the AMR rule.

23 Blooston Comments at p. 5.
24 Blooston Comments at p. 7.
25 Id. at p. 7.
26 In the Matter of Implementation of the Commercial Spectrum Enhancement Act and Modernization of the Commission’s Competitive Bidding Rules and Procedures, Comments of the Rural Telecommunications Group, Inc. and the Organizations for the Promotion and Advancement of Small Telecommunications Companies, WT Docket No. 05-211 (Feb. 24, 2006) (stating that any AMR rule adopted must not inadvertently exclude “genuine” DEs from effectively participating in spectrum auctions or from exercising DE benefits); Ex Parte Letter from Caressa D. Bennet and Gregory W. Whiteaker, Rural Telecommunications Group, Inc., to The Honorable Kevin Martin, Chairman, Federal Communications Commission, ET Docket No. 05-211, AU Docket No. 06-30 (May 26, 2006) (expressing concern that the new AMR rule was overbroad, restrictive, and had the unintended effect of harming the small and rural businesses that they were meant to help; noting that the “material relationship rules…unnecessarily severely limit how a legitimate DE uses its licenses,” and “have the effect of rescinding the secondary markets rules for all DEs”).
III. RWA SUPPORTS THE CREATION OF RURAL PARTITIONING INCENTIVES FOR LARGER CARRIERS.

RWA supports the adoption of a mechanism that would allow a winning bidder to deduct from its auction purchase price the pro rata value (as determined by population percentage) of any portion of its winning license area partitioned to a rural carrier so long as the partitioned area includes all or a portion of the rural carrier’s service area.28 Such a mechanism would encourage larger carriers to facilitate rural carrier participation in the provision of wireless services. Rural carriers would have another opportunity to gain spectrum, and larger carriers would benefit by being compensated twice for making that spectrum available – a discount on its final auction payment and the payment that it negotiates with the rural carrier.29 This mechanism would not be likely to result in a windfall to large carriers or significantly diminish FCC auction revenue because the potential areas involved would be low-pop markets, and thus, of small monetary value. It would, however, encourage large carriers to carve out spectrum to rural carriers to expedite rural network build-outs.

IV. THE COMMISSION SHOULD NOT EXTEND THE UNJUST ENRICHMENT PERIOD.

There is strong support in the record for retaining the current five year unjust enrichment period.30 RWA agrees with the DE Opportunity Coalition that extending the unjust enrichment period to 10 years would “hamper or eliminate the ability of DEs to raise and retain capital or operate their businesses with flexibility comparable to businesses in the rest of the industry.”31 RWA understands (and shares) the Commission’s desire to prevent ineligible entities from receiving DE benefits, but is concerned that extending the length of the unjust

28 Blooston Comments at p. 12.
29 Id. at p. 12.
enrichment payment schedule could deter investment and limit the ability of small and rural carriers to participate in the provision of spectrum-based services, contrary to the aims of this proceeding.

V. THE COMMISSION SHOULD RETAIN CURRENT JOINT BIDDING ARRANGEMENT RULES FOR NON-NATIONWIDE WIRELESS PROVIDERS.

The Commission has tentatively concluded that it is in the public interest to retain its current rules regarding joint bidding arrangements among non-nationwide providers. RWA supports this conclusion because these rules help rural wireless carriers pool their resources and better compete for spectrum with larger carriers. Joint bidding arrangements protect the public interest and are consistent with the Commission’s obligation under Section 309(j) of the Act to seek to promote the deployment of services “for the benefit of the public, including those residing in rural areas.”32 RWA opposes AT&T’s suggestion that the Commission drastically limit joint bidding by requiring auction applicants that wish to coordinate their bidding to form bidding consortia and banning all other joint bidding arrangements.33 RWA understands that concerns remain regarding the potential abuse of joint bidding arrangements in Auction 97, but this proposed “solution” is a significant overreach that would harm the ability of rural wireless carriers to compete for spectrum.

There is simply no evidence that small rural wireless carriers abused the Commission’s joint bidding rules, or obtained any unfair advantage by entering into joint bidding relationships in Auction 97. There is no evidence that small rural wireless carriers abused the Commission’s joint bidding rules in order to “stockpile bidding units,” “amass…buying power,” “limit…bid exposure,” or create “shadow demand” to distort market signals and prevent price

33 Comments of AT&T, WT Docket No. 14-170, GN Docket No. 12-268, RM-11395, WT Docket No. 05-211, at p. 6) (“AT&T Comments”).
discovery. RWA members’ ability to use joint bidding arrangements is already naturally limited by geography and the existence of few suitable partners with which to join. The Commission should not impose further limitations on rural wireless carriers to correct issues for which those carriers bear no responsibility.

VI. THE COMMISSION SHOULD NOT IMPOSE ADDITIONAL DE REPORTING REQUIREMENTS.

RWA supports the Commission’s proposal to eliminate the annual DE reporting requirement. RWA agrees that the required information is duplicative of information that DEs have already disclosed in their auction and license applications, and that the reports yield minimal additional useful information. RWA opposes the imposition of additional unnecessary regulatory hoops upon DEs, including a requirement proposed by T-Mobile that DEs demonstrate license build-out activity within one year of acquiring a license. RWA members are small businesses with limited staff and financial resources, and whose licenses are already subject to buildout requirements. RWA shares the industry’s concerns about abuse of the DE program, but believes that the rules should prevent system abuse before licenses are granted. Attempting to cast a wide net through the imposition of additional DE-specific reporting requirements after the auction occurs would be inefficient, and harm bona fide DEs – small businesses and rural telephone companies that can least afford additional regulatory burdens.

VII. CONCLUSION.

RWA and its members thank the Commission for their attention to these important issues and urge the adoption of rules that ensure the delivery of services to consumers in rural areas. These rules should promote deployment of advanced wireless services to consumers

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34 AT&T Comments at p. 5-6.
35 See RWA Comments at p. 11; see also Blooston Comments at 11.
living, working and traveling in rural areas and encourage auction participation by small rural carriers that serve those consumers.

Respectfully submitted,

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