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

In the Matter of
Implementation of the Commercial Spectrum Enhancement Act and Modernization of the Commission’s Competitive Bidding Rules and Procedures

REPLY COMMENTS
OF THE RURAL TELECOMMUNICATIONS GROUP, INC.

The Rural Telecommunications Group, Inc. (“RTG”), by its attorneys, hereby replies to comments filed in the above-captioned proceeding.\(^1\) RTG supports certain comments filed by Telephone and Data Systems, Inc. and its subsidiary United States Cellular Corporation (collectively, “TDS”). Specifically, RTG is in agreement with TDS that changes to the Federal Communications Commission’s (“FCC” or “Commission”) consortium bidding rules will not be a “panacea” that will erase the adverse consequences that package bidding will have on small bidders.\(^2\)

I. Background

RTG is made up of small, rural commercial mobile radio service (“CMRS”) providers, many of whom have been successful in past spectrum auctions. RTG is a Section 501(c)(6) trade association dedicated to promoting wireless opportunities for its membership. RTG’s members have joined together to speed the delivery of new,

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\(^2\) TDS Comments at 2.
efficient, and innovative telecommunications technologies to the populations of remote and underserved regions of the country.

RTG has been closely following the Commission’s combinatorial bidding proceedings and is deeply concerned about the deleterious effect that package bidding could have on smaller carriers. RTG has expressed its concerns in a similar proceeding.\(^3\)

Since RTG’s members are small and rural carriers, they do not have the same resources as the large, nationwide and super-regional CMRS carriers. Simply, put RTG members are afraid that they may never be able to afford “packages” of spectrum or compete with deep-pocketed nationwide carriers that desire packages that contain rural areas. When RTG members have been successful in FCC spectrum auctions, it has been because the Commission has wisely chosen to use small geographic license areas such as Metropolitan Statistical Areas (MSAs) and Rural Service Areas (RSAs) that de-link urban and rural areas.

II. Discussion

RTG agrees with TDS that the Commission must address evidence of adverse consequences for small bidders if the Commission uses package bidding in future spectrum auctions.\(^4\) The “threshold” problem identified by a number of economists is likely to exclude small bidders from any meaningful participation in a package bidding auction. The value that a small provider places on a certain swath of spectrum will be overwhelmed by the size of any bid by a nationwide carrier that includes the small


\(^4\) TDS Comments at 3.
carrier’s chosen spectrum as part of its package. Even if a small carrier places a higher monetary value on a small slice of rural spectrum, under combinatorial bidding with its emphasis on the maximization of revenue, the small carrier’s lone bid is extremely unlikely to displace a substantial bid for a larger package containing the desired small slice of rural spectrum.

Like TDS, RTG reminds the Commission of its congressionally-mandated duty pursuant to Section 309(j) of the Communications Act of 1934, as amended, to craft auctions that disseminate licenses to small and rural bidders. So far, all evidence regarding combinatorial bidding suggests that the Section 309(j) mandate has not been met. If the “threshold” concerns are not addressed, it is likely that combinatorial bidding will run afoul of Section 309(j).

RTG encourages the Commission to keep in mind “quality of service” issues as it continues its experimentation with package bidding. In many instances, rural carriers are the only carriers willing to make the infrastructure investments in underserved rural towns and surrounding areas. Rural carriers do not have the same restraints as large, publicly-traded carriers with their fiduciary duty to maximize the benefits to their shareholders. Small, rural carriers, while certainly motivated by profitable market concerns, are more willing to respond to the telecommunications needs of their customers and neighbors than distant corporations. Congress recognized this fact in Section 309(j), and this fact must be recognized by the FCC as it examines ways in which to modernize its auction process.

5 TDS Comments at 3 and 4.
6 See 47 U.S.C. §§ 309(j)(3)(A) and (D).
III. Conclusion

RTG agrees with TDS that the Commission should be willing to reject certain package bidding rules if they are detrimental to small bidders.\(^7\) The inherent flaws in the package bidding methodology exposed in this and similar proceedings must be addressed. As the Commission moves forward, it should make the results of its experiments public and continue to seek rural input on this matter.

Respectfully submitted,

RURAL TELECOMMUNICATIONS GROUP, INC.

By: _____________ /s/ _____________

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\(^7\) TDS Comments at 7.
CERTIFICATE OF SERVICE

I, Linda L. Braboy, with the law firm of Bennet & Bennet, PLLC., hereby certify that on this 12th day of September, 2005, a copy of the foregoing “Reply Comments of the Rural Telecommunications Group, Inc.” was served by First Class, U.S. Mail, postage pre-paid, to the following:

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