

Area Licensing: A Solution for the Public/Commercial
Partnership in the 700 MHz D Block

Testimony of LeRoy T. Carlson, Jr.,
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Subcommittee on Emergency Communications, Preparedness and Response

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Assessing the Derailed 700 MHz D-block Public
Safety Spectrum Auction”

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Introduction

I am Ted Carlson, Chairman of the Board of United States Cellular Corp. Under a reasonable approach to the 700 MHz D Block, U.S. Cellular would be ready, willing and able to provide parts of the next-generation nationwide, interoperable broadband wireless network under a partnership of public safety agencies and commercial operators. The Auction 73 rules were a barrier against bidding on the D Block license for our company and many others. We hope that the rules for re-auction of this spectrum will allow us to play a role in this important and challenging opportunity by providing fair bidding on area licenses. A network of area networks, with license areas based on states or existing public safety planning areas¹, will help meet the goals of Congress and the FCC for this partnership with manageable roles for government, public safety agencies and commercial operators.

U.S. Cellular is the sixth largest mobile operator in the U.S., serving over 6.2 million customers in urban, suburban, and rural markets in 26 states. We provide award-winning call quality as recognized in six consecutive J.D. Power awards. U.S. Cellular is proud to satisfy many public safety needs currently -- hundreds of state and local public safety agencies subscribe to our services, we have deployed E911 service to over 1,000 PSAPs, and we participate in the Wireless AMBER Alerts Initiative. Also, U.S. Cellular operates as part of a national, interoperable network of networks -- we offer national service plans through roaming arrangements with other carriers, we coordinate call handoffs with many neighboring carriers, and our engineers participate in industry standards bodies.

We are prepared to play a significant role by operating part of a shared wireless broadband network meeting the needs of public safety for nationwide, interoperable services. This approach to the D Block will serve the public interest. Competitive operators will efficiently use the D Block as well as excess capacity in the public safety spectrum. A shared network will benefit public safety agencies through economies in network infrastructure and operations, while providing added capacity in emergencies. Moreover, Auction 73 showed that there is large unmet demand for 700 MHz spectrum; future competition in broadband services depends on making the D Block available to a variety of commercial operators. Finally, while not a decisive factor, auctioning the D Block auction may yield substantial revenues to the U.S. Treasury.

¹ For over two decades, the FCC has used 55 public safety regional planning committee areas to coordinate state and local public safety wireless communications, initially in the 800 MHz band and then also for 700 MHz narrowband spectrum.

In conjunction with partners, U.S. Cellular has been an active participant in recent spectrum auctions. Yet, with our own networks covering only about 15 percent of the nation's population, a national license for the D Block was beyond our reach financially and operationally. In the re-auction of this spectrum, a national license or even one of the mega-regions would again be a "bridge too far" for us and many other wireless operators. Instead, license areas corresponding to state boundaries or the 55 public safety regional planning committee areas offer a much better fit to our capabilities and the public safety goals of the D Block.

Area Licensing for the D Block

The FCC's technical framework and the Network Sharing Agreement (NSA) will ensure that area licensees provide nationwide interoperability. A common air interface standard and nationwide technology platforms will coordinate and integrate the networks.

Area licenses will offer several important advantages. First, they will draw the interest of many more operators. As shown in the 700 MHz auction held earlier this year, demand for smaller area licenses of the A and B Blocks was far more intense, and involved many diverse bidders, compared to the mega-regions of the C and D Blocks. Greater demand for smaller area licenses will result in greater willingness of commercial operators to meet the network and service needs of public safety agencies, and will also result in more active bidding. With smaller area licenses, operators already serving part of a license area can build on their existing network infrastructure and operations, making the commercial opportunities to partner with public safety more attractive. Existing operators can also build on their current relationships with public safety agencies in such areas, making the partnerships more successful for all parties.

Second, smaller area licensees will be more responsive to the varying needs of public safety agencies. State agencies and many public safety regional planning committees have been actively coordinating wireless services to their local public safety users for several years. Having licenses correspond to these existing public safety coordinators will promote effective uses of the newly available 700 MHz spectrum for the public/commercial partnership.

Third, with multiple operators building smaller area networks, network deployment will be faster and more extensive than under a nationwide or mega-region licensee approach. More, and more-diverse, areas will be constructed simultaneously as the financial strength of many operators is harnessed to get the job done. Other advantages of area licenses include more innovation in services and operations, less risk from failure of a single operator, and more competition in commercial services.

U.S. Cellular believes that each smaller area license can be successfully auctioned. The A and B Blocks in Auction 73 attracted vigorous bidding, including for low-density areas, and there are carriers with existing networks and operations in each area that would be attracted to bid.

The auction rules must not undermine the benefits of having multiple operators by disadvantaging bidders who prefer smaller area licenses. If the FCC offers a nationwide license as well as area licenses, the FCC's method for comparing bids and its rules on coverage requirements must not create a bias favoring a nationwide bidder.

Rules to Make the Auction Successful

We believe the area licensing approach is manageable for the FCC, the Public Safety Broadband Licensee, public safety agencies and commercial operators. Regardless of the license size, a successful auction requires that technology specifications, performance obligations, spectrum lease payments, principles that would govern the future establishment of commercially reasonable rates for public safety users, and additional factors be disclosed to potential bidders before the auction.

The FCC's rules should address issues such as coverage, reliability, public safety preemption, back-up power, security, and major service features. These rules must be in a commercially reasonable range in order to attract commercial operators to the partnership. In particular, the standards for population coverage and reliability should be achieved over the license term, and the rules should allow reasonable differences in build-out and performance based on the population density of the various license areas. See the attached map showing four proposed tiers for population coverage based on density.

For the shared wireless broadband network, spectrum lease fees should help support public safety users. Commercial operators must be allowed to charge public safety users commercially reasonable rates. The competitive marketplace for wireless voice and data services has shown that public safety agencies do get commercially justifiable discounts when they make substantial commitments to use a network. On the other hand, forcing carriers to charge below-cost rates for public safety users would create incentives not to attract or satisfy these customers, and would create economic inefficiencies and controversies over who qualifies for these below-cost rates. Therefore, broad principles with regard to commercially reasonable rates must be adopted before the auction.

After the auction, each licensee would sign the NSA which would reflect the FCC's rules and principles, and would add any further terms and conditions that comply with the FCC's order. An area's public safety agencies and operator could discuss and agree on area-specific modifications to the NSA consistent with the national technical and service specifications. These modifications could reflect local priorities, operating conditions and service needs. Under no circumstances would modifications be allowed that would undermine nationwide interoperability.

A national committee of all area licensees, or NCAL, would elect a few national officers to work directly with the FCC and Public Safety Broadband Licensee in monitoring and, if needed, updating the NSA. This single point-of-contact with the licensees would facilitate maintenance of state-of-the-art standards for the network and services. Every licensee would be required to participate in and be governed by the decisions of the committee of licensees.

U.S. Cellular believes that this approach to re-auctioning the D Block is much more likely to succeed than either a national license or an RFP model. An RFP model would entail delays for use of this spectrum by public safety and commercial entities. RFPs would involve open-ended, hugely complex and detailed submissions, and time-consuming evaluations. Many potential operators would be deterred by the costs, uncertainty, and low transparency of an RFP model. An RFP approach may require legislation and generate litigation. The FCC's spectrum auctions have been widely praised as a huge advance over the comparative hearings of the first

round of cellular licenses. The FCC should seek to improve on how it auctions the D Block, by adopting pre-auction specifications and smaller area licenses. The FCC should build on the clarity and speed of auctions and not return to the morass of RFPs and comparative hearings.

Conclusion

U.S. Cellular has advocated a solution to address many of the goals and issues of the public/commercial partnership for the 700 MHz D Block. Commercial operators should be able to use this spectrum to benefit commercial as well as public safety users. Smaller area licenses, ideally based on state boundaries or public safety regional planning committee areas, will help achieve a nationwide, interoperable network of networks that is sensitive to the needs of public safety. The auction rules should give smaller bidders a fair opportunity to win these area licenses, which will lead to a stronger shared broadband network.

The technical and service issues are manageable for the FCC, the Public Safety Broadband Licensee and commercial carriers. In order to attract commercial bidders, the FCC's rules must provide certainty before the auction on key network and service factors. Reasonable spectrum lease fees should help support public safety users of this network. By establishing broad principles for the rates charged to public safety users, the FCC can ensure that the NSA contains commercially-reasonable rates and terms, including discounts reflecting public safety agencies' commitments to use the network. This approach will likely lead to a successful auction for licenses in all areas, followed by rapid deployment of a strong, interoperable shared wireless broadband network.

Thank you.

Target Percentage of Population Covered By State

