

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

In the Matter of	)	
	)	
Reallocation and Service Rules for	)	GN Docket No. 01-74
The 798-746 MHz Spectrum Band	)	
(Television Channels 52-59)	)	

**REPLY COMMENTS  
OF THE  
NATIONAL TELEPHONE COOPERATIVE ASSOCIATION**

The National Telephone Cooperative Association (NTCA)<sup>1</sup> submits these reply comments in response to comments submitted regarding the Federal Communications Commission’s Public Notice, DA 02-200, Report No. AUC-02-44-A, issued January 24, 2002, in connection with the procedures that will govern the conduct of the auction of licenses for the Lower 700 MHz Band. NTCA supports those parties that request that the EAG licenses be auctioned separately from the MSA/RSA licenses, that the minimum opening bid should not exceed each license’s upfront payment, and that a simple percentage increase be used to determine the bid increment for the Lower 700 MHz Band auction.

**The MSA/RSA Licenses Should be Auctioned Separately from the EAG Licenses**

NTCA supports the suggestion that the Commission combine the Lower 700 MHz Band’s 24 EAG licenses with the Upper 700 MHz Band licenses, to be sold in a single

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<sup>1</sup> NTCA is a not for profit association established in 1954. It represents 545 rate-of-return regulated rural telecommunications companies. NTCA members are full service telecommunications carriers providing local, wireless, cable, Internet, satellite and long distance services to their communities. All NTCA members are small carriers that are defined as “rural telephone companies” in the Telecommunications Act

auction. NTCA agrees with the Rural Telecommunications Group (RTG), the 700 MHz Group and Telcom Consulting Associates (TCA) that auctioning the MSA/RSA licenses separately may increase rural carrier and other small business participation in the auction.

An auction restricted to small license areas would limit the amount of overall bidding eligibility available to any one entity. Small carriers have been reluctant to participate in spectrum auctions because they believe that the large carriers dominate the auctions.<sup>2</sup> Separating the MSA/RSAs from the EAGs will provide a small carrier focus for the MSA/RSA auction and increase small business participation.

It makes sense to differentiate EAGs meant for regional or national service and MSA/RSAs meant for local service. The services will be different and it is likely that bidding strategies will be different. The Commission is most likely to fulfill its statutory mandate of disseminating licenses among a wide variety of licenses<sup>3</sup> by pulling the EAG licenses out of the Lower 700 MHz auction and putting them together with the EAGs of the Upper 700 MHz auction.

### **Minimum Opening Bid**

NTCA also agrees with parties that comment that the minimum opening bid price is too high. While the Commission declined to set a reserve price for the spectrum, the minimum opening bid is set at a level that may discourage small business participation and leave rural licenses unsold. As the Rural 700 MHz Group points out, the spectrum will be encumbered until at least 2006. Small carriers may be reluctant to invest large sums knowing that the ability to realize a profit is years away. If the spectrum is worth

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of 1996. They are dedicated to providing competitive modern telecommunications service and to ensuring the economic future of their rural communities.

<sup>2</sup> See NTCA's 2001 Wireless Survey Report, available on NTCA's web site at [www.ntca.org/leg\\_reg/white/2001surveyreport.pdf](http://www.ntca.org/leg_reg/white/2001surveyreport.pdf)

double the upfront payments, bids will increase and reflect that. If not, an unrealistic minimum opening bid will leave spectrum unsold and rural areas without the potential for service. NTCA agrees with the Rural 700 MHz Group and TCA that the Commission will better accomplish its goals if the minimum opening bid is no higher than the upfront payment required for each license.

### **Minimum Acceptable Bids and Bid Increments**

The Commission proposes to calculate minimum acceptable bids for each round of bidding by using a smoothing methodology. NTCA agrees with the Rural 700 MHz Group and TCA that a simpler, percentage-based increase is more appropriate. Use of the smoothing methodology makes it difficult for carriers to plan their bidding strategy. Small businesses, including rural telephone companies lack large staffs. Some carriers have as few as eight total employees. The auction may have as many as ten rounds per day. At least one individual may have to devote several days to doing nothing more than monitoring the auction and planning the next bids. Use of a straight percentage would permit bidders to plan their strategy ahead of time and adjust it as necessary, rather than between each round. Simplicity will best serve the needs of small carriers who are most likely to provide service to rural areas.

### **Conclusion**

NTCA applauds the Commission's decision to license some of the Lower 700 MHz spectrum according to MSAs and RSAs. This licensing scheme will better enable rural telephone companies, and others that are likely to use the spectrum to bring service to the rural population, to obtain the spectrum. It is important that the Commission continue in that direction and adopt auction procedures that will further the goal of

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<sup>3</sup> 47 U.S.C. § 309(j).

putting licenses into the hands of those carriers. NTCA therefore supports the comments that argue that the Commission should include the Lower 700 MHz Band EAG licenses with the Upper 700 MHz auction and auction the smaller MSA/RSA licenses separately, that the minimum opening bid should equal that of the upfront payment, and that a percentage increase should be used to determine bid increments, rather than a “smoothing formula” based on activity level per license.

Respectfully submitted,

NATIONAL TELEPHONE COOPERATIVE  
ASSOCIATION

By: /s/ L. Marie Guillory  
L. Marie Guillory  
(703) 351-2021

By: /s/ Jill Canfield  
Jill Canfield  
(703) 351-2020

Its Attorneys

4121 Wilson Boulevard, 10<sup>th</sup> Floor  
Arlington, VA 22203  
703 351-2000

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## CERTIFICATE OF SERVICE

I, Gail C. Malloy, certify that a copy of the foregoing Reply Comments of the National Telephone Cooperative Association in GN Docket No. 01-74, DA 02-200 was served on this 13th of February 2002 by first-class, U.S. Mail, postage prepaid, to the following persons

/s/ Gail C. Malloy  
Gail C. Malloy

Chairman Michael Powell  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW, Room 8B201  
Washington, D.C. 20554

William F. Caton Acting Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW, TW-A325  
Washington, D.C. 20554

Commissioner Kathleen Q. Abernathy  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW, Room 8-A204  
Washington D.C. 20554

Thomas Sugrue, Chief  
Wireless Telecommunications Bureau  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room 3-C252  
Washington, D.C. 20554

Commissioner Kevin J. Martin  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room 8-C302  
Washington, D.C. 20554

Margaret Weiner, Chief  
Auctions and Industry Analysis Division  
Wireless Telecommunications Bureau  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room 4-A760  
Washington, D.C. 20554

Commissioner Michael J. Copps  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room 8-A302  
Washington, D.C. 20554

John Prendergast, Esq.  
Kathleen A. Kaercher, Esq.  
Blooston, Mordkofsky, Jackson Dickens  
& Prendergast  
2120 L. Street, N.W. - Suite 300  
Washington, D.C. 20037

Qualex International  
Portals II  
445 12th Street, S.W.  
Room CY-B402  
Washington, D.C. 20554

Lawrence Ausubel, Co-President,  
Spectrum Exchange  
Peter Cramton, Chairman, Spectrum  
Exchange  
Richard Fields, Managing Director,  
Allen & Company  
Paul Milgrom, Co-President, Spectrum  
Exchange  
Spectrum Exchange Group, LLC and  
Allen & Company Incorporated  
2920 Garfield Terrace, N.W.  
Washington, D.C. 20008

Scott D. Reiter  
738 Pier Ave., Suite P  
Santa Monica, CA 90405

Vincent D. McBride  
McBride Spectrum Partners, LLC  
2655 30<sup>th</sup> Street, Suite 203  
Santa Monica, CA 90405

William L. Watson, Vice President  
and Assistant Secretary  
Paxson Communications Corporation  
601 Clearwater Park Road  
West Palm Beach, FL 33401

Karen Twenhafel, Regulatory Consultant  
TCA, Inc.-Telcom Consulting  
Associates  
1465 Kelly Johnson Blvd., Suite 200  
Colorado Springs, CO 80920

Gregory W. Whiteaker, Senior Counsel  
Donald L. Herman Jr., Regulatory  
Counsel  
Kenneth C. Johnson, Director of  
Regulatory and Legislative Affairs  
Rural Telecommunications Group  
Bennet & Bennet, PLLC  
1000 Vermont Avenue, N.W., 10<sup>th</sup> Fl.  
Washington, D.C 20005

George Y. Wheeler  
Holland & Knight, LLP  
2099 Pennsylvania Avenue, N.W.  
Suite 100  
Washington, D.C. 20006