

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

In the Matter of:	)	
	)	
Auction of Priority Access Licenses for the 3550-3650 MHz Band	)	AU Docket No. 19-244
	)	
Comment Sought on Competitive Bidding Procedures for Auction 105	)	
	)	

**COMMENTS OF AT&T INC.**

AT&T Services, Inc., on behalf of the subsidiaries and affiliates of AT&T Inc. (collectively, “AT&T”), hereby submits the following comments in response to the above-captioned Federal Communications Commission (“Commission” or “FCC”) *Notice*.<sup>1</sup> The *Notice* proposes procedures for the upcoming auction, designated Auction 105, of Priority Access Licenses (“PALs”) in the 3550-3650 MHz band. Commendably, these procedures should be familiar to potential participants as the design reflects the uniform-price clock format that has become favored in numerous recent auctions.<sup>2</sup> Although AT&T agrees with the Commission that these procedures have proven themselves and are an appropriate foundation for Auction 105,

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<sup>1</sup> *Public Notice*, “Auction of Priority Access Licenses for the 3550-3650 MHz Band - Comment Sought on Competitive Bidding Procedures for Auction 105,” AU Docket No. 19-244 (rel. Sept. 27, 2019) (“*Notice*”).

<sup>2</sup> *Public Notice*, “Application Procedures for Broadcast Incentive Auction Scheduled to Begin on March 29, 2016,” AU Docket No. 14-252, GN Docket No. 12-268, WT Docket No. 12-269, DA 15-1183 (rel. Oct. 15, 2015); *Public Notice*, “Auctions of Upper Microwave Flexible Use Licenses for Next-Generation Wireless Services - Notice and Filing Requirements, Minimum Opening Bids, Upfront Payments, and Other Procedures for Auctions 101 (28 GHz) and 102 (24 GHz),” AU Docket No. 18-85, FCC 18-109 (rel. Aug. 3, 2018); *Public Notice*, “Incentive Auction of Upper Microwave Flexible Use Service Licenses in the Upper 37 GHz, 39 GHz, and 47 GHz Bands for Next-Generation Wireless Services - Notice and Filing Requirements, Minimum Opening Bids, Upfront Payments, and Other Procedures for Auction 103,” AU Docket No. 19-59, GN Docket No. 14-177 (rel. July 11, 2019).

Auction 105 involves novel enhancements to accommodate, among other things, bidding by Cellular Market Area (“CMA”). AT&T’s comments focus on a few of these bidding changes, generally urging the Commission to administer those provisions with appropriate caution for the ways they might distort competitive outcomes.

Auction 105 will be the first time that the Commission has offered bidders the flexibility to bid utilizing two different market area structures. Specifically, although the PALs are being licensed on a county basis, the *Notice* offers “greater bidding flexibility [for] bidders interested in serving areas larger than a county” by allowing “a bidder [to] elect prior to the start of the bidding to bid at a CMA level for blocks in all of the counties comprising certain large CMAs.”<sup>3</sup> Because the Commission adjusts bid increments during the course of the auction based on demand, the *Notice* accordingly proposes a mechanism for distributing CMA demand across the counties that comprise the CMA.<sup>4</sup> In effect, the Commission’s objective is to apportion larger bid increments to counties with more demand, an outcome AT&T supports as long as the CMA price is ultimately equal to the sum of the prices of the individual counties within the CMA.

The Commission should, however, consider a modification to the apportionment mechanisms proposed in the *Notice* in one respect. Under the procedures outlined by the Commission, the formula for the range of bid increment percentages for counties in a CMA relies in large part on variable *D*, which is defined as “the difference between maximum aggregate demand and minimum aggregate demand of any county in the CMA.”<sup>5</sup> In other

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<sup>3</sup> *Notice* at ¶29.

<sup>4</sup> *Id.* at ¶¶59-62.

<sup>5</sup> Auction 105 Technical Guide at 20; available at: <https://www.fcc.gov/file/16622/download> (last visited Oct. 23, 2019) (“*Technical Guide*”); see also *Public Notice*, “Technical Guide on Proposed Bidding Procedures for Auction 105 (3550-3650 MHz Band),” AU Docket No. 19-244, DA 19-971 (rel. Sept. 27, 2019).

words,  $D$  represents the spread between the most and least competitive counties. However, as defined in the *Technical Guide*,  $D$  is independent of total demand. For example, in a hypothetical CMA with two counties,  $D$  (and the resulting price increments) would be the same if the two counties had aggregate demands of 35 and 30, respectively, as it would be if the two counties had aggregate demands of 12 and 7. Because the purpose of this aspect of the proposed incrementing methodology is to gradually equalize aggregate demand across the separate counties within a CMA and reduce the chance of excess supply, the FCC might consider enforcing the apportionment only when excess demand in any one county within the CMA is less than some threshold level.<sup>6</sup>

The *Notice* also proposes modifications to the bid processing rules to implement key aspects of CMA-based bidding.<sup>7</sup> In prior uniform-price clock auctions conducted by the Commission, a “no excess supply” rule precluded processing requests by bidders to reduce demand in a market if the proposed demand reduction would result in the market having unsold units—*i.e.*, if they would result in excess supply. While this rule will apply in Auction 105 for county-based bidders, the *Notice* proposes to permit CMA-based bidders to withdraw bids resulting in excess supply under certain conditions.<sup>8</sup> In particular, a CMA-based bidder may reduce its demand by one block in a CMA as long as, at the time the bid is initially processed, there is at least one county in the CMA with at least one block of excess demand.

AT&T generally concurs with the proposal to allow demand reductions by CMA bidders as framed in the *Notice*. The proposal, however, gives rise to a potential anomaly in processing

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<sup>6</sup> *Id.* at 20.

<sup>7</sup> *Notice* at ¶¶68-69.

<sup>8</sup> *Id.* at ¶69.

requests for multi-unit drops by CMA bidders because of the prioritization scheme when multiple bidders request reductions. Example 8 in the *Technical Guide* illustrates the application of the proposed process for a multi-unit demand decrease by a CMA bidder.<sup>9</sup> In the example, the supply in each of the counties (A-E) in a CMA is 7, and the *Technical Guide* stipulates the following aggregate demand from Round 6:<sup>10</sup>

<b>County</b>	<b>Round 6 Aggregate Demand</b>
A	7
B	8
C	9
D	6
E	8

*Figure 1: Technical Guide Example 8, Round 6 Aggregate Demand*

In Round 7, “bidder 1”—a CMA bidder—requests a demand reduction of 2 blocks to take its demand from 2 to zero. Assuming all other bidders hold their demand constant, the auction system will process half of the requested demand reduction. Specifically, the system will identify that there is at least one block of excess demand in at least one county in the CMA,<sup>11</sup> but that processing the request would lead to excess supply in county A, so it will process only one block of the demand reduction, resulting in aggregate demand as shown in *Figure 2* below.<sup>12</sup>

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<sup>9</sup> *Technical Guide* at 15-16.

<sup>10</sup> *Id.* at 15.

<sup>11</sup> There is actually 1 block of excess demand in counties B and E and 2 blocks of excess demand in county C.

<sup>12</sup> *Technical Guide* at 15.

County	Round 7 Aggregate Demand
A	6
B	7
C	8
D	5
E	7

Figure 2: *Technical Guide Example 8, Round 7 Aggregate Demand*

The *Technical Guide* goes on to note that “[c]ounty C is the only county in which aggregate demand still exceeds supply” and, as a result, “for county C the posted price will be equal to the clock price.”<sup>13</sup> The other counties, because they have no excess demand in Round 7, will have posted Round 7 prices that are equal to their Round 7 start-of-round prices. The *Technical Guide* concludes by observing that the bidder 1 “holds one block in the CMA at a higher price than its bid to reduce demand to 0 blocks” but “can submit a CMA-level bid to reduce its demand in the CMA from 1 block to 0 blocks (at the start-of-round price of Round 8).<sup>14</sup>

The anomaly in these procedures—identified in the *Technical Guide*—is the result of the auction system potentially processing other demand reductions prior to bidder 1’s second request for the same demand reduction. Indeed, *all* county demand reductions are processed before CMA demand reductions. As a result, the *Technical Guide* notes “if there is another . . . bid to reduce demand in this CMA . . . at the start-of-round price . . . that is processed first, the CMA-level bid of bidder 1 will not be applied and bidder 1 will continue to hold 1 block in the CMA at the start-of-round price of Round 8.”<sup>15</sup> In other words, even though bidder 1 sought to take its demand to zero at the Round 7 start-of-bid price, and other bidders did not seek demand

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<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at 15-16.

<sup>15</sup> *Id.* at 16.

reductions until after the price increased to the Round 8 start-of-bid price, those other bidders might still end up having their demand reductions processed ahead of bidder 1.

Ultimately, AT&T recognizes that the outcome is a policy trade-off driven by the desire to accommodate CMA-level demand reductions while avoiding large precipitous demand reductions creating excess supply in numerous counties. As a result, AT&T does not propose to modify the procedures. AT&T suggests, however, that the Commission carefully monitor and manage bid increments if there is evidence that a CMA bidder is attempting to leave a CMA.

AT&T also reiterates the concern it raised in a prior *ex parte* letter regarding the implementation of an “activity upper limit” for Auction 105.<sup>16</sup> AT&T recognized that the *Notice* was attempting to ameliorate inequity that can arise because bid activity in a round is assessed based upon bids that are actually processed—in cases where a planned demand reduction cannot be satisfied by the bidding system, the bidder may have the eligibility to submit certain planned bids, and therefore may unintentionally lose eligibility. AT&T believes that the proposed measures are efficiency-enhancing, and therefore should be adopted.<sup>17</sup> Indeed, the provision might be particularly helpful in rounds where the activity requirement is being increased, because it would provide bidders with greater flexibility to redistribute a portfolio given the uncertainty of how opponents may behave in a round where additional bidding units must be bid or lost. That said, AT&T suggests that the magnitude of the potential activity limit percentage increase should be applied much more conservatively than the outside limit in the *Notice*, which

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<sup>16</sup> Letter from Michael P. Goggin, AT&T Services, Inc., to Marlene H. Dortch, Secretary, Federal Communications Commission, AU Docket No. 19-244, FCC-CIRC1909-03 (filed Sept. 16, 2019).

<sup>17</sup> *Notice* at ¶¶44-48.

is 140%.<sup>18</sup> Notably, the Commission is moving from a regime of successful auctions where the limit was, effectively, only 100%.

AT&T also cautions that the bidders most likely to take advantage of an activity upper limit above 100% would be speculators. Because speculators aggressively move across product markets in auctions, granting additional flexibility to speculators can delay auction resolution and increase auction prices. While the latter point might be viewed as efficient if all bidders intended to deploy services for the public using their licenses, it is not clear that long-term industry competitiveness is enhanced by providing additional flexibility to those who are simply acquiring licenses for investment value.

AT&T supports the Commission's decision to conduct Auction 105 largely in conformance with now tried-and-true uniform-price clock auction processes. The proposed procedures for Auction 105, however, also include a number of novel elements, largely to accommodate bidding using both counties and CMAs. Although AT&T generally favors

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<sup>18</sup> *Id.* at ¶47.

adoption of these measures, AT&T has suggested some minor modifications, and cautious practical implementation, to avoid potential unintended consequences.

Respectfully Submitted,

AT&T, INC.

/s/

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