

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of	)	
	)	
Incentive Auction of Upper Microwave	)	AU Docket No. 19-59
Flexible Use Service Licenses in the Upper 37	)	
GHz, 39 GHz, and 47 GHz Bands for Next-	)	
Generation Wireless Services	)	
	)	
Comment Sought on Competitive Bidding	)	
Procedures for Auction 103	)	

To: Federal Communications Commission

**REPLY COMMENTS OF VERIZON**

Auction 103 is scheduled to be the first simultaneous forward and reverse incentive auction in the United States. Auction 103 also will make available more spectrum—3400 MHz—than any other FCC auction in history. This spectrum is critical to the deployment of 5G throughout the country and the FCC should do everything in its power to facilitate a robust and efficient auction that will quickly reconfigure the 39 GHz band and get 37, 39, and 47 GHz spectrum into the hands of both incumbent licensees and new entrants for 5G deployments. Reasonable and fair auction procedures will encourage a robust and competitive auction. Commenters in this proceeding propose a number of minor modifications to the Commission’s proposed auction procedures to do just that. The Commission, however, should reject several other proposals that would only serve to further complicate an already very complex auction.

**I. The Commission Should Avoid Unnecessary Complexity and Promote a Fair and Competitive Auction.**

There are five proposals in the record that should be rejected because they could jeopardize the success of this auction by further complicating it or slowing it down. First, the Commission should reject requests to auction possible “white space” in the 39 GHz band. The Wireless Internet Service Providers Association (“WISPA”) and GeoLinks encourage the Commission to make “white space” in the 39 GHz band available in the auction.<sup>1</sup> While it is possible that some white space may be left in the 39 GHz band if an incumbent licensee chooses to receive modified licenses that retain its existing partial PEA holdings, the Commission is right to conclude that result will not be prevalent.<sup>2</sup> Auctioning this white space now would cause significant and undue complexity because the Commission would need to add additional and varied “categories” of licenses to the auction; taking that step could ultimately slow down the auction. There is no need to include this likely small amount of white space in the current auction when wireless Internet service providers already have access to GAA spectrum and county-sized PALs in the CBRS band and have access to multiple GHz of unlicensed mmW spectrum set aside by the Commission.

Second, the Commission should not separate the 37/39 GHz band into different bidding categories. In the *Spectrum Frontiers Fourth R&O*, the Commission decided that it would

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<sup>1</sup> See WISPA Comments at 3-4; GeoLinks Comments at 2-3.

<sup>2</sup> *Use of Spectrum Bands above 24 GHz for Mobile Radio Services*, Fourth Report and Order, 33 FCC Rcd 12,168, ¶ 28 (2018) (“*Spectrum Frontiers Fourth R&O*”) (“the total white space that will result is extremely low relative to the total 39 GHz band”); *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 Comment Sought On Competitive Bidding Procedures For Auction 103*, Public Notice, AU Docket No. 19-59, FCC 19-35, ¶ 5 (Apr. 15, 2019) (“*Auction Procedures PN*”) (“we expect that the total white space as a result of this process will be extremely low relative to the total 39 GHz band”).

“consider blocks in [the Upper 37 GHz and 39 GHz] bands as interchangeable and offer them as one category in the auction.”<sup>3</sup> But now several commenters propose that the Commission reconsider this decision and treat the Upper 37 GHz and 39 GHz bands as different categories because of a perceived difference in values. WISPA, for example, claims that incumbent 39 GHz licensees who participate in the auction are likely to place greater value on contiguous blocks in the 39 GHz band to extend their holdings than on non-contiguous blocks in the Upper 37 GHz band.<sup>4</sup> That claim, however, ignores the Commission’s reconfiguration procedures for the 39 GHz band. To participate in the auction, a 39 GHz incumbent must relinquish all existing 39 GHz holdings. They may not retain some of their 39 GHz holdings while turning in others. Nor may they retain their existing 39 GHz holdings and acquire additional 39 GHz spectrum in the auction. Incumbent licensees thus can get the contiguous spectrum they desire throughout the entire 37/39 GHz band if the Commission proceeds with its plan to have a single category.

PVT also makes the flawed argument that the Commission should separate the Upper 37 GHz and 39 GHz bands because of a few particular markets with incumbent federal operations in the 37 GHz band.<sup>5</sup> As a matter of policy, auctions should be designed to promote robust competition throughout all markets, not to accommodate a single potential participant in a single market. Further, while PVT Networks raises concerns about the potential of its particular licenses being moved into the 37 GHz band, it ignores the options available to it that would avoid this outcome, including relinquishing this spectrum in exchange for an incentive payment or participating in the auction so that it can choose which specific spectrum it desires in the

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<sup>3</sup> *Spectrum Frontiers Fourth R&O* ¶ 54.

<sup>4</sup> WISPA Comments at 5-7.

<sup>5</sup> See PVT Comments at 5-6.

market. The Commission should reject these proposals to create two categories in the 37/39 GHz band; doing so would increase the complexity of the auction, potentially slowing down and inhibiting a robust and competitive auction.

Third, the Commission should reject the Rural Wireless Association's proposal to license the 37, 39, and 47 GHz bands on a county basis.<sup>6</sup> The Commission decided long ago to license the 37, 39, and 47 GHz bands on a PEA basis.<sup>7</sup> It heard and rejected arguments that these bands should be licensed on a county basis, instead finding that PEAs are best suited to "facilitate access to spectrum and the rapid deployment of service in [these] bands."<sup>8</sup> The time for disputing this decision is long past. And changing the license area size to counties at this late date would serve to only further complicate an already complex auction by increasing the number of potentially available licenses from approximately 14,000 to over 100,000.

Fourth, the Commission should reject proposals encouraging it to prejudge how it will manage the pace of the auction. WISPA, for example, asks the Commission to predetermine when it will use higher bid increments to advance the auction.<sup>9</sup> And T-Mobile asks the Commission to increase the number of rounds and/or price increments when there is no longer excess demand for one category of licenses and excess demand in only a handful of PEAs in the remaining category.<sup>10</sup> The Commission, however, has a long history of appropriately and effectively managing auction timing. There is no need to predetermine when steps such as

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<sup>6</sup> See Rural Wireless Association Comments at 1-2.

<sup>7</sup> See *Use of Spectrum Bands Above 24 GHz For Mobile Radio Services, et al.*, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 8014, ¶ 82 (2016).

<sup>8</sup> *Id.*

<sup>9</sup> See WISPA Comments at 7-8.

<sup>10</sup> See T-Mobile Comments at 10-11.

increased number of rounds or larger bidding increments should be implemented. With a complex auction such as this, these types of decisions should be made in real time based on how the auction actually progresses, not predictions of what might happen.

Fifth, the Commission should adopt its proposed approach for missing bids, as criticisms of it miss the point. For example, T-Mobile asks the Commission to “treat missing bids as bids for the previous round’s demand at the new round’s clock price rather than reduce the bidder’s demand to zero” because “bidder mistakes may occur.”<sup>11</sup> But the Commission has successfully run two clock auctions using the proposed “bid-to-zero” approach and there is no evidence that this approach has been ineffective or unfair. Bidders must be attentive to their demand in each market and, if necessary, use additional tools to ensure their bidding is accurate in every round. And the Commission should not provide bidders with activity waivers that would preserve a bidder’s eligibility in the event that its bidding activity does not meet the activity requirement in a round. As the Commission found in its Public Notice announcing the procedures for Auctions 101 and 102, “[a]llowing waivers would create uncertainty with respect to the exact level of bidder demand, interfering with the basic clock price-setting and winner determination mechanism. . . [and ultimately] affect[ing] the way bidders’ requests to reduce demand are processed by the FCC auction bidding system.”<sup>12</sup>

## **II. The Commission Should Adopt Several Record Proposals that Will Facilitate a Transparent and Efficient Auction.**

A number of proposals submitted by commenters for minor modifications to the procedures would facilitate a more transparent and efficient auction and should be adopted by the

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<sup>11</sup> *Id.* at 12.

<sup>12</sup> *Auction Procedures PN* ¶ 61.

Commission. First, the FCC should display and accept bids on only the feasible bidding options in the assignment round.<sup>13</sup> For a winner of a single block, showing 24 options when only two or three may be available creates as an extreme level of complexity. As AT&T notes, “the number of potential choices will increase as the number of clock phase winning bids decreases, so the bidders winning the smallest number of licenses will theoretically be faced with the largest number of assignment round choices.”<sup>14</sup> That result could unnecessarily impose significant burdens on bidders.

Second, the Commission should publish data file format specifications and sample data files for both the clock and assignment phases as early as possible and certainly before the application deadline.<sup>15</sup> As T-Mobile notes, “qualified bidders need information about file formats as soon as possible so that they can understand how the Commission intends to present data, including auction results, during the auction and how bidders can submit bids.”<sup>16</sup> This information is critical to bidders; the earlier it is provided, the more informed and better prepared bidders will be, allowing for a fuller and more robust auction

Third, information about incumbents’ incentive payments should be transparent throughout the auction. Verizon agrees with T-Mobile’s proposal that information about an incumbent’s incentive payment credits should be transparent in the Auction Bidding System so that an incumbent can “easily determine its expected return on its relinquished licenses and, as a result, make real-time financial decisions and adjustments that would facilitate its decision to

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<sup>13</sup> See AT&T Comments at 3-4.

<sup>14</sup> *Id.* at 4.

<sup>15</sup> See T-Mobile Comments at 3-6.

<sup>16</sup> *Id.* at 4.

continue to bid on new licenses or to receive an incentive payment.”<sup>17</sup> Incentive payment information similarly should be available in a downloadable format. While some incumbents may rely exclusively on the FCC’s Auction Bidding System, others may use separate systems to facilitate their participation in the auction and the availability of incentive payment information in a downloadable format will facilitate those licensees’ participation in the auction.

Finally, as Verizon argued in its initial comments, the Commission should use lower upfront payments than those identified in the *Auction Procedures PN*. The Commission’s proposed upfront payments are set relatively high, particularly for incumbents. The proposed rates will disproportionately harm incumbent 39 GHz licensees, who have already significantly invested in and shown their commitment to the band, and could impact their ability to fully participate in the auction. The Commission, at a minimum, should lower the upfront payments for incumbents that choose to participate in the auction. Of course, if the Commission adopts this approach and an incumbent wishes to be eligible to bid on more spectrum than it current holds, that incumbent should make a cash upfront payment to obtain bidding eligibility for additional licenses that is equivalent to what a non-incumbent would pay for the same amount of eligibility.

### **III. CONCLUSION.**

Through this auction, the Commission has the potential to put a significant amount of millimeter wave spectrum into the market for 5G. To ensure a robust and effective auction, the

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<sup>17</sup> *Id.* at 7.

Commission should reject any proposals that threaten to complicate an already very complex auction. The Commission, however, should make the few tweaks identified here and in Verizon's initial comments to promote greater transparency and a more robust and fair auction.

Respectfully submitted,

/s/

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