



1300 I Street, NW
Suite 500 East
Washington, DC 20005

Gregory Romano
Vice President and Associate General Counsel
Federal Regulatory and Legal Affairs

July 15, 2021

Marlene H. Dortch
Secretary, Federal Communications Commission
45 L Street NE
Washington, DC 20554

Re: Auction of Flexible-Use Service Licenses in the 2.5 GHz Band for Next-Generation Wireless Services, AU Docket No. 20-429

Dear Ms. Dortch:

On July 13, 2021, Verizon representatives Philip Junker and I, along with Erin Griffith of Wilkinson Barker Knauer, LLP, spoke by telephone with Deena Shetler, Jonathan Campbell, Gary Michaels, Bill Huber, Martha Stancill, Erik Beith, Daniel Habif, Emily Burke, and Shabnam Javid of the Office of Economics and Analytics, as well as Susan Mort, Blaise Scinto, Nadja Sodos-Wallace, Nancy Zaczek, and Melvin Del Rosario of the Wireless Telecommunications Bureau.

During the meeting, we commended the Commission for its ongoing work to free up spectrum to support 5G, including tackling the challenge of rationalizing the 2.5 GHz band. We also discussed the unique licensing history of the 2.5 GHz band that makes the practical aspects of reconfiguring the band difficult. The record reflects these challenges, with numerous calls for more transparency, divided views on auction format, and differing opinions about minimum opening bids. The extent of the disagreement at this phase in the proceeding shows that more work must be done before Auction 108 can take place.

Consistent with our comments,¹ we explained that prospective bidders need additional information to adequately prepare for Auction 108. Were the auction to occur under existing conditions, bidders would find it extraordinarily challenging to properly ascribe value to most of the over 8,300 products to be offered. This is because of uncertainty about the nature of the available spectrum in many counties. Without the ability to correctly value 2.5 GHz spectrum, some companies may not be able to secure corporate approvals to bid in the auction. Uncertainty will thus undermine competition in the auction.

¹ See generally Verizon Comments. Unless otherwise noted, all comments and reply comments cited herein were filed in AU Docket No. 20-429 on or about May 3, 2021 and May 29, 2021, respectively.

Concern about the lack of transparency and accuracy of the auction inventory abounds in the docket. More than 20 parties have filed comments expressing concern about the accuracy of the Commission's auction inventory.² Parties have pointed to the evident availability of unencumbered spectrum over water, in unpopulated areas, or of such small size as to be *de minimis* in nature. T-Mobile has indicated that the amount of unencumbered spectrum available in the 2.5 GHz band is significantly less than what the Commission has described.³ Given these concerns, the Commission should carefully establish the inventory of unencumbered spectrum in each of the overlay license products, taking into consideration the outcome of the lengthy Rural Tribal Window and the concerns of existing licensees.

We also urged the Commission to make information from existing leases in the band available to prospective bidders, because that information is critical to accurately valuing 2.5 GHz spectrum. The 2.5 GHz rulemaking demonstrated the overwhelming and unique role that leases played in the Educational Broadband Spectrum (EBS). At the time of the 2019 *2.5 GHz Order*, over 95 percent of existing EBS licensees were engaged in an active lease.⁴ These leases have terms of up to 30 years and “often contain rights of first refusal to purchase options.”⁵ We explained that the sheer volume of leases in the band, and that a single incumbent—who will likely be a bidder in the auction—holds the vast majority of leases in the band, make it critical that the Commission take steps to remedy the information disparity facing bidders.

In addition, not only is the amount of leased spectrum unique to the 2.5 GHz auction, but incumbent licensees/lessees are not transitioning out of the band and freeing up spectrum.

² See generally, e.g., AT&T Comments; Archdiocese of Los Angeles Education & Welfare Corporation Reply Comments; Archdiocese of Detroit Reply Comments; Board of Trustees of the Leland Stanford Junior University Reply Comments; Catholic Technology Network Reply Comments; Catholic Bishop of Chicago Reply Comments; Archdiocese of New York Reply Comments; DISH Reply Comments; iCatholic Media, Inc. Reply Comments; North American Catholic Educational Programming Foundation Inc. & Mobile Beacon Comments; National EBS Association Comments; Orange Catholic Foundation Reply Comments; Regents of the University of Colorado Reply Comments; Roman Catholic Communications Corporation of the Bay Area Reply Comments; Roman Catholic Church in the State of Hawaii Reply Comments; Rural 2.5 Consortium Comments; School Board of Miami-Dade County, Florida, et al. Reply Comments; T-Mobile Comments; United States Cellular Reply Comments; Verizon Comments; Voqal Comments; Wireless Internet Service Providers Association Reply Comments.

³ See T-Mobile Comments at 18.

⁴ *Transforming the 2.5 GHz Band*, Report and Order, 34 FCC Rcd 5446, ¶ 79 (2019) (“2.5 GHz Order”).

⁵ *Id.*

In recent overlay auctions, the Commission adopted a plan for transitioning incumbents from the band. After a designated period, overlay licensees were thus assured of having access to the spectrum—the most recent example of this structure being the 3.7-4.2 GHz auction. Other examples include the PCS auction in the mid-1990s and the AWS-1 auction in 2006. Without access to the lease terms, prospective bidders in the 2.5 GHz auction have no insight into whether they will ever have an opportunity “to negotiate with the incumbent licensee for its spectrum rights or to purchase an incumbent license in the geographic area in which it has the overlay rights.”⁶ Bidders thus cannot accurately value the overlay rights on which they will be bidding.

Finally, we reiterated our support for a tried-and-true Simultaneous Multiple-Round (SMR) auction format, which will ensure robust price discovery for all bidders, large and small. Speed to auction is not a reason for the Commission to forgo the benefits of price discovery in the 2.5 GHz auction. We observed that given the long road to rationalize and reform the 2.5 GHz band so that it can be put to more productive use for all Americans, the Commission should take the time to get the auction right. Holding an auction that does not have price discovery for ill-prepared bidders would ultimately be a disservice to the band.

Sincerely,

/s/ Greg Romano

Gregory Romano

Vice President and Associate General Counsel

cc: Deena Shetler
Jonathan Campbell
Gary Michaels
Bill Huber
Martha Stancill
Erik Beith
Daniel Habif

Emily Burke
Shabnam Javid
Susan Mort
Blaise Scinto
Nadja Sodos-Wallace
Nancy Zaczek
Melvin Del Rosario

⁶ *Id.* ¶ 77.