

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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

To: The Commission

REPLY COMMENTS OF VERIZON¹

The record in response to the *Auction 105 Procedures Comment Public Notice*² demonstrates nearly unanimous opposition to the proposal to allow Cellular Market Area (“CMA”)-level bidding in the auction of Citizens Broadband Radio Service Priority Access Licenses (“PALs”) in the 3.5 GHz band. As Verizon observed, CMA-level bidding is not package bidding and would reduce bidder flexibility, while adding unnecessary complexity to an already-complex auction. Only one commenter supports it, subject to a self-serving change that would advance its own interest but not the public interest. In short, the record shows that the proposed CMA-level bidding option is ill-advised. The Commission should not adopt it.

Adoption of the CMA-level bidding proposal would increase the auction’s complexity and reduce overall auction participation. Southern Linc calls the proposal “impenetrable” and “incomprehensibly more complicated than the package bidding mechanism rejected by the

¹ The Verizon companies (“Verizon”) participating in this filing include the regulated, wholly-owned affiliates of Verizon Communications Inc.

² See *Auction of Priority Access Licenses for the 3550-3650 Band; Comment Sought on Competitive Bidding Procedures for Auction 105*, Public Notice, FCC 19-96, ¶¶ 29-33 (rel. Sep. 27, 2019) (“Public Notice”).

Commission in recent auctions.”³ It goes on to say that “there can be little doubt the rules alone will be sufficient to disincent new entrants and smaller bidders from competing in CMAs where CMA-level bidding is allowed.”⁴ The Commission’s proposal adds unnecessary complexity that would affect all bidders, but county-level bidders (likely to include most smaller bidders) would be especially disadvantaged.⁵ Indeed, many commenters express concern that CMA-level bidding would make it more difficult (if not impossible) for smaller bidders to obtain licenses, especially in rural counties.⁶

Like Verizon, NCTA emphasizes another problem with CMA-level bidding: unintended consequences that would undermine the auction. NCTA points out that county-level bidders could seek to game the auction process by engaging in “strategic ‘price-steering’ to counties in which a bidder has no genuine interest in order to displace CMA-level demand.”⁷ By encouraging such strategic behavior, CMA-level bidding would make more difficult the price and demand discovery process at which auctions excel, placing sincere bidders at a disadvantage. Further, NCTA expressed concern (as we did) that the proposal to afford CMA-level bidders with an exception to the “no excess supply rule” (i.e., allowing them to reduce demand across all counties in a CMA as long as excess demand is present in at least one county in the CMA) likely will cause PALs to go

³ Comments of Southern Linc, AU Docket No. 19-244, at 5 (filed Oct. 28, 2019).

⁴ *Id.*

⁵ *See, e.g.*, Comments of Competitive Carriers Association, AU Docket No. 19-244, at 4-9 (filed Oct. 28, 2019); Comments of NCTA–The Internet & Television Association, AU Docket No. 19-244, at 5-12 (filed Oct. 28, 2019) (“NCTA Comments”).

⁶ *See, e.g.*, Comments of NTCA–The Rural Broadband Association, AU Docket No. 19-244, at 3 (filed Oct. 28, 2019); Comments of the Rural Wireless Association, Inc., AU Docket No. 19-244, at 3-9 (filed Oct. 28, 2019); Comments of the Blooston Rural Carriers, AU Docket No. 19-244 (filed Oct. 28, 2019); Comments of New America’s Open Technology Institute, AU Docket No. 19-244 (filed Oct. 28, 2019).

⁷ NCTA Comments at 8 (citation omitted).

unsold even in counties where demand was demonstrated from county bidders – a result inimical to FCC auction policy and the public interest.⁸

T-Mobile is alone in expressing unqualified support for the Commission’s CMA-level bidding proposal, but it wants more from the Commission – in particular, it wants the FCC to *bar* county-level bidding in the eligible CMAs, thereby enabling *only* CMA-level bidders to compete for licenses in many of the largest and most populous area of the country.⁹ In essence, T-Mobile is asking the Commission to eliminate county-level bidders (who are more likely to be smaller entities) from the bidding for PALs in areas covering more than half the U.S. population.¹⁰ While this exclusionary approach would serve T-Mobile interests, it would break faith with the Commission’s policy of conducting fair, open auctions, as well as with the requirement under Section 309(j) of the Communications Act that the Commission seek to disseminate licenses among a wide variety of applicants.¹¹ Verizon does not support T-Mobile’s request for the Commission to stifle auction competition.

The 3.5 GHz band is critical to the launch of U.S. 5G deployments in mid-band spectrum, and Verizon largely supports the auction design elements and bidding procedures proposed in the *Public Notice*. While we have generally supported efforts over the years to enable providers to easily assemble packages of licenses, as the Commission itself allows, the CMA-level bidding

⁸ See *id.* at 9-10; see also Letter from Danielle J. Piñeres, Vice President & Associate General Counsel, NCTA - The Internet & Television Association, to Marlene H. Dortch, FCC, Secretary, AU Docket No. 19-244, at 1-2 (filed Oct. 15, 2019).

⁹ See Comments of T-Mobile USA, Inc., AU Docket No. 19-244, at 4 (filed Oct. 28, 2019).

¹⁰ According to information on the Commission’s website, the counties in the 172 CMAs that would be eligible for CMA-level bidding included a 2000 population of over 187 million. See FCC, Auction Maps, 1990-2000 Census Data, https://www.fcc.gov/sites/default/files/wireless/auctions/data/maps/-cntysv2000_census.xls.

¹¹ 47 U.S.C. § 309(j)(3)(B).

proposal is not package bidding,¹² it would add complexity and uncertainty for all Auction 105 participants, and invite misbehavior by insincere bidders. Based on the record developed in response to the *Public Notice*, the Commission should refrain from adopting a CMA-level bidding option for Auction 105.

Respectfully submitted,

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/s/

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¹² *Public Notice* n.63 (“we do not refer to [the proposal] here as ‘package bidding’”).