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July 6, 2015

EX PARTE VIA ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TW-A325
Washington, D.C. 20554

Re: ***Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*, GN Docket No. 12-268;**
***Policies Regarding Mobile Spectrum Holdings*, WT Docket No. 12-269;**
***Comment Sought on Competitive Bidding Procedures for Broadcast Incentive Auction 1000, Including Auctions 1001 and 1002*, AU Docket No. 14-252**

Dear Ms. Dortch:

In the attached *ex parte* letter Dr. William Lehr builds on the findings of a previous white paper, *Benefits of Competition in Mobile Broadband Services,* in which he explained that the contribution to consumer surplus of sustaining robust facilities-based competition in the U.S. mobile broadband market would add significantly more than $20B in incremental consumer surplus each year, worth over $200B in total.[1] Dr. Lehr is currently a researcher in the Computer Science and Artificial Intelligence Laboratory at the Massachusetts Institute of Technology.[2] He is an economist and industry consultant whose research focuses on the economics and regulatory policy of the Internet infrastructure industries. Dr. Lehr holds a PhD in economics from Stanford University and an MBA from the Wharton School of the University of Pennsylvania.

[1] William Lehr, "Benefits of Competition in Mobile Broadband Services," *attached to* Letter from Rebecca Murphy Thompson, General Counsel, Competitive Carriers Association to Marlene H. Dortch, Secretary, Federal Communications Commission, WT Docket Nos. 13-135, 12-269; GN Docket Nos. 12-268, 13-185 (Mar. 24, 2014) ("*Benefits of Competition*").
[2] *See* http://people.csail.mit.edu/wlehr/.

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In his *ex parte* submission, Dr. Lehr expands upon his finding that the consumer benefit of promoting sustainable robust competition in mobile broadband services is conservatively estimated to be in excess of $20 billion per year, or more than $200 billion in net present value terms,[3] which is the equivalent of $5 per month for every man, woman and child in the United States.[4]

With today's imbalance in spectrum resources, AT&T and Verizon are secure in knowing that the competition is unable to match their coverage and indoor signal strength cost-effectively. Verizon's CFO, for example, has openly suggested that Verizon does not find it necessary to compete on price to keep its customers.[5] Unless additional measures are taken to promote competition, Dr. Lehr concludes that more price -sensitive consumers will be forced to sacrifice indoor and wide-area coverage for lower prices and less price-sensitive consumers will face higher prices or lower-quality wireless broadband services than they would enjoy in a more competitive market.

Pursuant to Section 1.1206(b)(2) of the Commission's rules, an electronic copy of this letter is being filed for inclusion in the above-referenced dockets.

Respectfully submitted,

/s/ Trey Hanbury

Trey Hanbury
Counsel to T-Mobile USA, Inc.

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[3] *See Benefits of Competition* at 2, 17-18. The estimated savings are based on a commonly used method for estimating the consumer surplus associated with a price reduction that depends on having estimates of only three parameters: an estimate of industry revenues ($184B, slightly less than actual 2012 revenues), an estimate of price-elasticity of demand (-0.5), and the price drop (10%). A discount rate of 10% is used to compute the net present value of the annual savings. These parameter estimates, as explained in the original paper, are almost certainly conservative.

[4] Letter from William Lehr, Consultant to T-Mobile USA, Inc. to Marlene H. Dortch, Secretary, Federal Communications Commission, GN Docket No. 12-268, WT Docket No. 12-269, AU Docket No. 14-252 at 4 (July 6, 2015).