

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

In the Matter of)
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**Auction of Advanced Wireless Services)
Licenses Scheduled for June 29, 2006)**

AU Docket No. 06-30
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**JOINT REPLY COMMENTS
OF
MADISON DEARBORN PARTNERS, LLC
AND
TA ASSOCIATES, INC.**

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February 28, 2006

**Before the
FEDERAL COMMUNICATIONS COMMISSION
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**Auction of Advanced Wireless Services)
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JOINT REPLY COMMENTS

Madison Dearborn Partners, LLC (“MDP”) and TA Associates, Inc. (“TA”) hereby submit their joint reply comments in the above-captioned proceeding, which was initiated pursuant to the *Public Notice*, DA 06-238, released January 31, 2006 (the “*Notice*”)¹ in which the Federal Communications Commission (“FCC” or “Commission”) seeks comment on certain procedural issues relating to the auction for Advanced Wireless Services (“AWS”) licenses in the 1710 – 1755 MHz and 2100 – 2155 MHz bands (“AWS-1”), currently scheduled to commence on June 29, 2006. In reply to the *Notice* and the many comments filed in this proceeding², the following is respectfully shown:

I. INTRODUCTION

MDP and TA are private equity firms with substantial investment portfolios in the wireless telecommunications sector. MDP is one of the largest and most experienced private

¹ *Auction of Advanced Wireless Services Licenses Scheduled for June 29, 2006; Comment Sought on Reserve Prices or Minimum Opening Bids and Other Procedures*, AU Docket No. 06-30, Public Notice, DA 06-238 (released Jan. 31, 2006).

² More than 50 interested parties filled comments in the proceeding on February 14, 2006.

equity firms in the United States, having raised and managed four funds over the past 13 years with assets exceeding \$12 billion. MDP focuses its investments in a handful of specific industry sectors, including the communications sector. Representative wireless licensee companies in this sector in which MDP is or has been invested include Council Tree Alaska Native Wireless, LLC, MetroPCS Communications, Inc., Nextel Communications, Inc. and Nextel Partners, Inc., Omnipoint Corporation, Rural Cellular Corporation and WNP Communications, Inc. TA is one of the oldest private equity and buyout firms in the world and has a \$6 billion capital base. The communications sector makes up a significant portion of the TA portfolio, and companies in wireless-related businesses represent a growing portion of the TA investments. Representative TA investments (past and present) in this sector include Asurion (wireless enhanced service provider), Bachtel Cellular Liquidity, L.P. (rural cellular operator); MetroPCS Communications, Inc. (broadband wireless service provider) and SBA Communications Corporation (wireless infrastructure).

MDP and TA typically take major positions in their investment portfolio companies in the communications sector, and often participate directly in the business through active participation on the governing boards of the companies. Multiple companies that MDP and/or TA backed have participated in and garnered spectrum in wireless spectrum auctions, and representatives of MDP and TA have been active in the auction process. As a consequence, both firms have familiarity with the auction rules and are able to assess the impact – particularly the impact on financial institutions – of the new rules and procedures proposed by the Commission for Auction No. 66.

As is set forth in greater detail below, MDP and TA agree with the many commenters in this proceeding who oppose the proposed withholding of bidding information before and during the course of the auction. Financial institutions will be less likely to fund auction participants to

the same extent if this dramatic change in standard bidding procedures is imposed. MDP and TA also oppose having the Commission conduct two simultaneous auctions with one of the two auctions utilizing package or combinatorial bidding procedures. Any theoretical benefits of that approach are outweighed by the added complexities that combinatorial bidding brings to the process.

Finally, MDP and TA concur with commenters who urge the Commission to make sure that the applicable rules are established and publicized well before the start of the auction so that proper investment decisions can be made.

II. Dramatic Changes Should Not be Made to the Successful Auction Procedures

The involvements of MDP and TA in the wireless industry predate the Commission's auction authority. As a result, the companies witnessed the delays in licensing that came with comparative hearings and the inefficient license allocations that came with random selection techniques. While auctions have not been without problems,³ the Commission has been vigilant in continuing to refine and improve the auction processes, to a point where the auction now are running efficiently and smoothly. Auction 58, the most recent wireless broadband auction, generated robust bidding and was virtually free of controversy. With this successful track record, MDP and TA are surprised that the Commission wants to make major changes in the process, particularly since the AWS auction will be bringing so much spectrum to market.

A. Blind Bidding Will Discourage Investment

As financial institutions, MDP and TA have a bias in favor of receiving as much market information as they can before investing money in a license acquisition. Information concerning the number and identity of different competitors in a market, their respective

³ For example, the speculative bidding in the PCS C Block Auction (Auction No. 5) was fueled in part by the installment payment program.

spectrum holdings, their regional or national market positions, etc., are critical determinants of the amount that MDP and TA will invest. The Commission's proposal to withhold all bidding information other than the high bid price will leave bidders in the dark and less able to evaluate each market. In the absence of a solid basis for evaluations, financial investors will either withdraw or reduce the amount of their investments because they have been forced to factor in additional elements of uncertainty and risk.

Bidder information is particularly critical in light of the amount of spectrum that is coming on line in Auction No. 66. The 90 MHz of AWS spectrum will increase by more than one-third the available broadband spectrum, and could result in as many as 6 new entrants, in each market. This means that two similarly-sized markets could end up with dramatically different competitive situations. One market might have a handful of national carriers each with 55 MHz of spectrum or more. Another might have twice as many competitors, including several new entrants, with smaller spectrum positions. MDP and TA would have little interest in backing a new entrant in the second case. The problem, of course, is that it won't know the situation if auction participants are forced to bid blind.

MDP and TA note that an overwhelming number of commenters oppose the Commission proposal to withhold bidding information. The Commission should be impressed by the fact that the opponents include a diverse cross section of prospective auction participants including small⁴, mid-sized⁵ and larger carriers⁶, nationwide carriers⁷ and niche players⁸, urban⁹

⁴ See, e.g., Comments of RT Communications, Inc.

⁵ See, e.g., Comments of Centennial Communications Corporation.

⁶ See, e.g., Comments of Alltel Corporation.

⁷ See, e.g., Comments of Sprint Nextel Corporation ("Sprint Nextel Comments").

⁸ See, e.g., Comments of Leap Wireless International, Inc.

⁹ See, e.g., Comments of MetroPCS Communications, Inc. ("MetroPCS Comments").

and rural carriers¹⁰, and financial institutions.¹¹ In contrast, the support for blind bidding is sporadic, and not particularly compelling.¹²

On balance, the Commission should alter its proposal and stick with the transparent auction process that has worked well in the past.

B. Combinatorial Bidding is Unnecessary

Auction 66 includes a diverse collection of licenses of varying geographic and spectrum configurations. With six licenses in a common frequency range, bidders will have many choices to fill particular spectrum and service area objectives. And, the availability of large Regional Economic Area Grouping (REAG) licenses will enable an interested party to assemble a nationwide footprint (if indeed that is desired). With these points in mind, there is no reason to use this important auction as an experiment in combinatorial bidding.

MDP and TA agree with commenters who express concern that conducting two simultaneous auctions utilizing different bidding rules will increase the risk of bidding mistakes, license defaults and, ultimately, inefficient license allocations.¹³ Given the number of licenses and markets that are involved, the possible combinations and outcomes will be difficult to monitor, predict and manage. The bidders who will be harmed the most will be the smaller entrepreneurial companies that investors like MDP and TA typically back, because these companies do not have the personnel and other auction resources that will be necessary to manage the complexity of combinatorial bidding and simultaneous auctions.

¹⁰ See, e.g., Comments of Marne & Elk Horn Telephone Company.

¹¹ See, e.g., Joint Comments of Columbia Capital LLC and MC Venture Partners (“Columbia/MC Comments”).

¹² For example, Verizon Wireless supports blind bidding but largely devotes its analysis to an explanation of why certain information—such as the identities of bidders that have qualified for an auction, along with ownership information—is beneficial, instead of why some information should be withheld. Comments of Verizon Wireless (“Verizon Wireless Comments”) at 5-7.

¹³ See, e.g., Sprint Nextel Comments at 3-4; MetroPCS Comments at 8-9; and Comments of United States Cellular Corporation (“U.S. Cellular Comments”) at 10-11.

Here too, the record of the proceeding shows no groundswell of support for package bidding. Rather, a broad cross-section of prospective bidders have urged the Commission not to pursue this alternative.¹⁴

In sum, in the absence of compelling justification, the Commission should not alter the standard simultaneous multiple round auction procedures with which bidders are familiar and which are highly likely to result in an economically efficient assignment of licenses.

III. Prospective Bidders Will Need Time to Assess the Final Rules

MDP and TA have capital to invest and would like to see Auction No. 66 take place in the near term. Nonetheless, MDP and TA agree with interested parties who ask the Commission to allow adequate time after the auction procedures are established before requiring applications to be filed in Auction No. 66.¹⁵ For the reasons set forth in these comments, the manner in which the procedural issues that are in play in this proceeding get resolved could have a material effect upon the nature and extent of the additional investments, if any, that MDP and TA will make in prospective Auction No. 66 applicants. While MDP and TA are willing to move quickly, it will take time for applicants to finalize their business plans and solidify their financing. The last thing the Commission wants is for applicants to show up in the auction without their financing in place. This either would discourage participation or encourage unfunded bidding, neither of which is desirable.

¹⁴ See, e.g., MetroPCS Comments at 6; Sprint Nextel Comments at 1; Columbia/MC Comments at 4; Comments of T-Mobile USA, Inc. at 4-5; U.S. Cellular Comments at 12.

¹⁵ See MetroPCS Comments at 5; Columbia/MC Comments at 9.

IV. CONCLUSION

In light of the foregoing, MDP and TA respectfully request that the Commission adopt auction procedures in conformance with these Joint Reply Comments.

Respectfully submitted,

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