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March 31, 2006

57739-000013

VIA ELECTRONIC FILING (ECFS)

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Notice of *Ex Parte* Communication
Advanced Wireless Services Auction Public Notice (AU Docket No. 06-30)

Dear Ms. Dortch:

On March 30, 2006, Mr. Roger Linquist, the President, Chief Executive Officer and Chairman of the Board of MetroPCS Communications, Inc., submitted the attached e-mail addressing matters related to the above-referenced proceeding to Commissioner Michael Copps and his legal advisor, John Giusti; Commissioner Jonathon Adelstein, and his senior legal advisor, Barry Ohlson; Commissioner Deborah Taylor Tate and her legal advisor, Aaron Goldberger; Fred Campbell, legal advisor to Chairman Kevin J. Martin; and the following Commission staff members:

Martha Stancill	Margaret Wiener	Peter Corea
Walter Strack	Jim Schlichting	Sandra Danner
Leslie Marx	Brian Carter	Gary Michaels
Evan Kwerel	Rita Cookmeyer	Kelly Quinn
Benjamin Freeman	Scott MacKoul	

In accordance with Section 1.1206 of the Commission's Rules, 47 C.F.R. § 1.1206, this letter is being electronically filed with your office.

Kindly refer any questions in connection with this letter to the undersigned.

Respectfully Submitted,



Carl W. Northrop
of PAUL, HASTINGS, JANOFSKY & WALKER LLP

Attachment

-----Original Message-----

From: Roger Linquist

Sent: Thursday, March 30, 2006 2:25 PM

To: 'Michael.Copps@fcc.gov'; 'Jonathan.Adelstein@fcc.gov'; 'Deborah.Tate@fcc.gov'; 'Barry.Ohlgren@fcc.gov'; 'Aaron.Goldberger@fcc.gov'; 'John.Giusti@fcc.gov'; 'Fred.Campbell@fcc.gov'

Cc: 'Leslie.Marx@fcc.gov'; 'Martha.Stancill@fcc.gov'; 'Walter.Strack@fcc.gov'; 'Evan.Kwerel@fcc.gov'; 'Benjamin.Freeman@fcc.gov'; 'Margaret.Wiener@fcc.gov'; 'Jim.Schlichting@fcc.gov'; 'Brian.Carter@fcc.gov'; 'Rita.Cookmeyer@fcc.gov'; 'Scott.MacKoul@fcc.gov'; 'Peter.Corea@fcc.gov'; 'Sandra.Danner@fcc.gov'; 'Gary.Michaels@fcc.gov'; 'Kelly.Quinn@fcc.gov'

Subject: Advanced Wireless Services Auction Public Notice (AU Docket No. 06-30)

Thank you for taking the time to meet with me and my colleagues to discuss the Advanced Wireless Service (AWS) auction procedures. We would like to address concerns you raised in our meeting that certain auction literature that is publicly available on the Internet (the "Roadmap") could provide a roadmap for bidders to tacitly collude in Auction No. 66 unless all bidding information is withheld. We have had a chance to review the Roadmap and my conclusion, as a businessman with substantial economics training, is that it does not present a meaningful risk of collusion for Auction 66 that should affect the Commission's auction procedures. My reasons for this conclusion are set forth below.

At the outset, please keep one thing in mind. As we discussed, MetroPCS is not a major nationwide carrier with spectrum in each market seeking to top off its spectrum positions in a large number of markets. Rather, MetroPCS is a niche player interested primarily in entering new targeted markets. The MetroPCS business objective is ill-suited to the randomized strategic demand reduction strategy set forth in the Roadmap. Consequently, MetroPCS is not one of the large *strategic bidders* identified in the Roadmap which would be a likely beneficiary of the agent bidding strategy set forth in the Roadmap. As an outsider, MetroPCS would be acting as a *cheater* under the Roadmap and would be a potential target of *punishing* bids if the scenario in the Roadmap were to unfold. Thus, if MetroPCS believed that there was any realistic prospect that the Roadmap would be used by other bidders in the auction, it would endorse blind bidding. However, after careful consideration, just like economists Mr. Peter Crampton and Mr. Robert Weber who have filed comments in this proceeding, MetroPCS does not consider there to be any meaningful risk that the Roadmap will have any tangible affect on the upcoming auction.

The primary reason for our conclusion is that the Roadmap assumes circumstances that simply do not pertain in Auction 66. First, the Roadmap assumes that the licenses for sale in Auction 66 are largely fungible and that there are not complex value interdependencies between them. This simply is not the case. Indeed, the entire AWS band plan, which creates a variety of regional groupings of licenses, is premised on the correct assumption that proximate licenses are highly interdependent. The proposition that carriers in the real world would be content to settle into a series of randomized markets in which they happened to be the high bidders in the early rounds is preposterous.

Further, the fact that an incumbent carrier may have spectrum in a large number of the major markets does not mean that it is indifferent as to where it acquires additional spectrum. For example, a large carrier may only have 30 MHz in one market and 60 MHz in another. That carrier would not consider spectrum in both markets to be fungible or of equal value. Accordingly, although the Roadmap suggests that strategic bidders would divide markets of interest, given the needs of the carriers and the amount of spectrum available, it is doubtful that they would be willing to accept random licenses in place of licenses in markets in which they have interest. Remember, the object of carriers participating in the auction is to acquire spectrum to use it, not merely to get it at lower prices.

Second, the Roadmap assumes that bidders know the true market value of AWS licenses in advance, and that their sole motivation in the auction will be to earn a profit by buying licenses below market value. The truth is that the AWS auction is bringing an unprecedented amount of spectrum to market at the same time and that prior

valuation metrics do not provide a reliable predictor of fair market value. Since there is no expected selling price, the entire premise that bidders will be motivated to maximize the differential between the market value and the auction price is false. Further, value does hinge on a number of factors which will only be determined as the auction unfolds. For example, a market would become more valuable if a roaming partner is acquiring spectrum in an adjacent market. The same could be true if the adjoining market has carriers with compatible technology or if the links that need to be cleared are held by other bidders.

Third, the Roadmap assumes that all major incumbents will tacitly agree to reduce demand by adopting the Roadmap bidding approach. In reality, the highly competitive wireless business is not so genteel. Individual carriers will have service priorities that trump the theoretical profit maximization strategy set forth in the Roadmap. As the Commission has observed, the retail market for wireless service is intensely competitive and it is doubtful that any carrier would forego additional spectrum in a market which it could use to serve additional customers or provide new advanced services merely because it wants to get other licenses at a lower price. All carriers want to provide service, not maximize profits in obtaining licenses. As we pointed out in our meetings, spectrum is just the tip of the iceberg and licenses merely allow a carrier to provide service – they are not the end object of the auction.

Fourth, the Roadmap assumes that there is no downside for carriers to start out bidding according to the Roadmap because they can always abandon the strategy with impunity if others fail to adhere to it. This assumption is incorrect in light of the substantial bid withdrawal penalties and activity rules that are proposed in Auction No. 66. A strategic bidder who settles into a particular series of randomized markets early in the bidding process by following the Roadmap will be hard pressed to change course later in the auction, particularly in light of the eligibility and bid withdrawal rules. A carrier that adopts the strategy early on would face the real prospect of either having to withdraw when the strategy does not work or not be able to bid on licenses it truly desires after the strategy is abandoned.

Fifth, the roadmap assumes that the Commission lacks the ability to shut down the auction in the face of collusive bidding and is unable to levy punishments against bidders who engage in collusive conduct. Neither assumption is true. And, to the extent that the Commission is concerned about the prospect of parties following the Roadmap, it can explicitly advise prospective bidders when it adopts the AWS auction procedures that severe sanctions will be imposed if bidders are determined to be parties to tacit collusion and other “punishing” bidding techniques outlined in the Roadmap. A bit of “regulation by lifted eyebrow” here will go a long way.

Based on the foregoing analysis, there is only one aspect of the Roadmap that deserves the attention of the Commission: the Roadmap contains the explicit disclaimer that “we make no claim that [the bidding techniques described here] should or would emerge in real life spectrum auctions”. The reality is that the interesting theoretical academic analysis set forth in the Roadmap is not going to drive bidding behavior in Auction 66 and should not drive the Commission’s decision in setting the rules for this important auction.

Roger Linnquist
President and Chief Executive Officer
MetroPCS Communications, Inc.

A copy of this email is being filed in AU Docket 06-30 as required by the Commission’s rules.