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

Re: WT Docket No. 06-150 CC Docket No. 94-102 WT Docket No. 01-309

Dear Ms. Dortch:

We understand that the Commission is considering using “combinatorial bidding” in the upcoming 700 MHz auction.

Aloha opposes “combinatorial bidding” because it is likely to result in a 15 – 30% reduction in auction proceeds; will give big companies a significant competitive advantage over small companies; and is still in the experimental stage of development.

On the surface “combinatorial bidding” appears to be a positive addition to the auction process because it would allow big companies to cluster the markets they really want and bid up the combined market prices above all other bidders. However, if you look at past auction results, the risks associated with “combinatorial bidding” become apparent.

For example, in the recent AWS auction (Auction No. 66) the “F” block was the most contested regional block. Verizon had the 4 highest bids for the Northeast, Southwest, Great Lakes and Mississippi Valley at the end of the auction totaling \$2.8 billion. If Verizon had been able to use “combinatorial bidding” in the AWS auction, it could have put in a combined bid for these four regions at the end of round 14 for \$2.4 billion and been the highest bidder. By using “combinatorial bidding,” Verizon could have saved \$400 million or 15% of the purchase price.

Another example from the AWS auction is from the “D” block. At the end of the auction total high bids for the Northeast, Southwest and Great Lakes regions totaled \$1.1 billion and were won by Metro PCS, T-Mobile and Denali. If T-Mobile had been able to use “combinatorial bidding” in the AWS auction, it could have put in a bid for these 3 regions at the end of round 14 for \$850 million and won all 3 regions. By using “combinatorial bidding” T-Mobile would have saved \$300 million or 35% of the ending purchase prices.

Most bidders focus on a handful of markets. Only the large companies would be able to take advantage of “combinatorial bidding” and could use it to cluster markets where they face different groups of competitors. A big company could “divide and conquer” its smaller competitors by bidding more for a cluster of markets than any one competitor could afford to pay for any individual market.

This “divide and conquer” strategy could have been demonstrated in the AWS auction in the “A” block. At the end of the auction, SpectrumCo had the high bids in New York, Chicago and Washington DC totaling \$845 million. SpectrumCo had to outbid Cricket in Washington, Barat in Chicago, and Dolan in New York. If SpectrumCo had been able to use “combinatorial bidding” it could have been the high bidder in these three markets at the end of round 18 for \$440 million. Combinatorial bidding would have saved SpectrumCo \$400 million or 50% of the purchase price. Since no other company was bidding for all three of these markets, SpectrumCo could bid more for all three

