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May 15, 2007

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

Re: Ex Parte Notice
WT Docket No. 06-150; CC Docket No. 94-102; WT Docket No. 01-309; WT Docket No. 03-264; WT Docket No. 06-169; PS Docket No. 06-229; WT Docket No. 96-86

Dear Ms. Dortch:

On May 15, 2007, Mr. Charles Townsend, Ms. Marda Robillard and the undersigned, all representing Aloha Partners, L.P. ("Aloha"), met with Commissioner McDowell, Ms. Angela Giancarlo and Mr. Ryan Mullady and discussed matters in the enclosed handout.

Pursuant to 47 C.F.R. § 1.1206(b)(2), this notice is being submitted electronically in the above-referenced docket. In addition, one copy of this notice is being transmitted via e-mail to Ms. Giancarlo and Mr. Mullady

Very truly yours,

/s/ Thomas Gutierrez
Counsel for Aloha Partners, L.P.

cc: Robert McDowell, Esq.
Angela Giancarlo, Esq.
Ryan Mullady, Esq.

Aloha Partners

Agenda for meeting with
Commissioner Robert McDowell
Tuesday, May 14, 2007

- A mix of market sizes will provide the best results
- Combinatorial bidding is unnecessary and untested
- Build out requirements should not start until 2/09

Underlying Assumptions behind large block sizes

- Regions allow big companies to cluster the areas they need
- Regions allow big companies to bid aggressively for the areas they want
- Smaller market sizes will generate less revenues
- Big companies will build out entire Regions because it is in their best interest

- National carriers were able to cluster MSAs and BEAs when they needed to in AWS auction

- Spectrum Co. purchased 94% of the “B” block EA pops.
- T-Mobile purchased 33% of “A” block CMA pops primarily in the Northeast and Central
- Cingular purchased CMAs and EAs primarily in the Southeast and Southwest.

National carriers bid as aggressively for small markets as for regional licenses in AWS auction.

- 99% of Sprint/Spectrum Co's spending was for EAs.
- 62% of Cingular's spending was for CMAs and EAs
- 32% of T-Mobile's spending was for CMAs and EAs

- 735 CMAs in "A" block sold for almost as much as either the "D" or "E" Regions($1.5 billion vs. $1.7 billion).
- 176 EAs in Block "C" sold for almost as much as in the Block "B" ($2.3 billion vs. $2.4 billion).

A Mix of Licenses is more successful than just Regional Blocks

Big Companies don't built out rural areas in regional blocks

- An analysis of 1996 MTA licenses indicated that national carriers covered an average of 80% of U.S. Pops after 10 years. Rural states were even lower:
  - New Mexico 68%
  - Alaska 69%
  - Kansas 69%
  - Arkansas 69%
  - Mississippi 69%
  - West Virginia 71%

- **<u>Assumptions about the benefits of Regions are flawed</u>**
  - National carriers bid as aggressively for CMAs and EAs as regional licenses.
  - National carriers were able to combine CMAs and EAs whenever they needed to.
  - Regional Carriers & Small companies spent over $1.6 billion on and EA licenses
  - National Carriers are unlikely to fully build out Regional licenses

Combinatorial bidding is unnecessary & untested

- **Other new competitors did not need combinatorial bidding to build a national network**
  - Sprint in 1996 PCS auctions
  - Nextel in 2000 SMR auctions
  - MetroPCS/Leap in 2005 Nextwave auction
  - Cable Cos in 2006 AWS auction

- **First experiment with combinatorial bidding in Auction 65 showed its short comings.**
  - Auction needed to be stopped for 2 days because of "a bug"
  - Unclear how eligibility worked for next highest bidder

- **Combinatorial bidding puts small companies at a big disadvantage and reduces competition**

- **AWS may have made less money with combinatorial bidding**
  - Examples from AWS show combinatorial bidding can result in lower proceeds

High Bid Analysis

Region	"F" Block Verizon High Bids (000)	Verizon Round 14 (000)	T-Mobile High Bids (000)	Cricket Hi Bids (000)
Northeast	1,335	927	1,113	131
Southwest	572	572	477	331
Great Lakes	616	616	513	427
Mississippi Valley	275	275	235	-
Total	2,798	2,390	2,338	889

Build out requirements should start - 2/09

- Can't use spectrum until 2/09
- Vendors will take at least 12-18 months to provide 700MHz equipment
- Small companies are the lowest priority
- Shortage of tower crews
- 1996-7 PCS auctions demonstrated that it took 3-5 years to start construction rural areas

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March 16, 2007

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

than any one company could have bid for its individual market(s). Unfortunately, anti collusion rules would have prevented the other companies from responding in a unified way.

Based on these examples and others, Aloha estimates that the use of combinatorial bidding in the AWS auction would have resulted is a reduction in auction proceeds between $2 – 4 billion or 15 – 30%.

Aside from the likely reduction in auction revenues, the use of "combinatorial bidding" is largely untested and therefore very risky. The Commission's only experience with "combinatorial bidding" was in Auction 65, the Air-To-Ground auction. In that auction the Commission offered participants the opportunity to bid for the same license in three different ways. Even that very limited approach showed some significant problems with "combinatorial bidding". First, the auction software still had some "bugs" in it. After the second day of bidding, we noticed an aberration in the expected results. We notified the Commission staff and the auction was halted for 2 days while the "bug" was fixed. Unfortunately, there may still be other "bugs" in the software that have not been discovered yet.

Second, there is the problem with "lingering liability" for participants. At the end of round 31 we dropped out of the auction because a combinatorial bidder had exceeded our high bid and that of another small company. However, we were still listed as the high bidder for one of the losing combinations. We believe that we could have been forced to honor our bid if the other small company had raised its bid, thereby topping the high combinatorial bidder.

A third issue is one of eligibility. During Auction 65 we identified a potential eligibility problem that fortunately never arose. However, it is quite likely to arise during the 700MHz auction if "combinatorial bidding" is used. An example would be if there are 3 regional blocks: A, B, &C. Aloha has enough eligibility to bid on just 1 regional block and bids $10 for Region A. Another little company bids $10 for Region B and a big company submits a combined bid for Regions A+B of $25. The big company is the high bidder. In the next round the other little company bids $20 for Region B and Aloha bids $10 for Region C. Does Aloha's bid in Region A now become active and if so how does Aloha qualify to bid on two regions if it only has eligibility for 1?

As you can see, there are a lot of little nuances of "combinatorial bidding" that have not been fully explored or tested. Aloha believes that it will be very risky to test "combinatorial bidding" on such a large scale as the 700MHz auction when there are so many dollars at risk.

In summary, some large companies have indicated that they will be more aggressive in their bidding if "combinatorial bidding" is permitted. While this is possible, Aloha believes that the risks of less revenues and untested problems associated with "combinatorial bidding" far outweigh any potential benefits.

Respectfully Submitted,
ALOHA PARTNERS, L.P.

/s/

Charles C. Townsend
President & CEO
Aloha Partners, L.P.