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October 3, 2007

Mr. Fred Campbell, Chief of the Wireless Telecommunications Bureau
Federal Communications Commission
445 12th St., SW
Washington, DC 20554

Re: *Ex Parte* Communication
WT Docket Nos. 96-86, 06-150; PS Docket No. 06-229; AU Docket No. 07-157

Dear Mr. Campbell:

As Frontline has recently explained in both its auction rule comments submitted to the Bureau,¹ and its petition for reconsideration filed with the Commission,² the rules surrounding the re-auction of the C Block in the event the reserve is not met impermissibly delegate to private parties the ability to defeat conditions the Commission has decided serve the public interest. Bidders who place a higher value on unencumbered spectrum will hold back bids in the initial auction to prevent the reserve from being met, and withhold higher bids until the re-auction when there will be weaker service rules, an altered band plan, and fewer competing bidders.

Shortly after Frontline filed its comments in the auction rules proceeding expressing these concerns, MetroPCS filed its petition for reconsideration making clear that parties will indeed attempt to cause the failure of the initial C Block auction in order to trigger a re-auction without these public interest conditions. In the *700 MHz Order*, the Commission stated that the open conditions would disappear if the reserve price for the C Block was not met, and also that the block will be broken into smaller blocks and licensed on an EA and REAG basis.³ While concern has been focused on incumbents, such as Verizon and AT&T, who have voiced opposition to the open access conditions and have much to gain by their removal, MetroPCS's filing has drawn attention to another potential group of bidders who will want the initial auction to fail: parties that wish to see smaller C Blocks auctioned in varying license sizes.

¹ See Frontline Comments, *Competitive Bidding Procedures for Auction 73*, AU Docket No. 07-157 (Aug. 31, 2007).

² See Frontline Petition for Reconsideration, *Service Rules for the 698-746, 747-762, and 777-792 Bands et al.*, WT Docket Nos. 06-150 and 96-86, PS Docket 06-229 (Sept. 24, 2007).

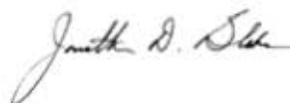
³ Second Report and Order, *In the Matter of Service Rules for the 698-746, 747-762 and 777-792 MHz Bands et al.*, WT Docket No. 06-150 *et. al* (rel. Aug. 10, 2007), 22 FCC Rcd 15289, 72 Fed. Reg. 48814 (Aug. 24, 2007) at ¶ 312.

Although MetroPCS has supported imposing a reserve price on the C Block throughout this proceeding, in its petition for reconsideration it has asked that the Commission remove the reserve price on the C Block in the event a re-auction becomes necessary.⁴ Why would it support an arbitrarily inflated reserve price in the first round and then abandon them altogether? MetroPCS has made clear that it does not want package bidding and has also advocated for licenses of smaller spectrum sizes and of varying geographic sizes. Thus, it is not difficult to see exactly what MetroPCS is hoping to accomplish: MetroPCS seeks to establish more favorable conditions for incumbents in a C Block re-auction (like no reserve price), and thus wants to encourage others not to bid in the first auction (by arguing for a high reserve). The Commission's rules and reserve price unfortunately already encourage parties to stay at home during the first auction and hope that it fails; a decision to remove the reserve price in the event of a re-auction would exacerbate this problem exponentially.

If the reserve prices are not met, and the C Block spectrum must be re-auctioned, stripped of the open requirements and radically reconfigured, incumbents seeking to purchase spectrum without open access conditions and parties hoping to be able to buy smaller licenses will not bid in the C Block auction and thereby seek to cause the auction to fail. MetroPCS and Verizon are the only two parties who have voiced support for the Bureau's proposed reserve prices; both parties who have a clear interest in the first auction failing and being able to bid on spectrum with significantly lower reserve prices, fewer conditions, and fewer competitors. The result will be that the Commission's public interest objectives to encourage the participation of new entrants and create a "third pipe" will be thwarted. MetroPCS's proposal would virtually guarantee that auction revenues from the re-auction would be significantly decreased.

MetroPCS's recent filing is a clear sign that parties have identified the ability to defeat the public interest rules attached to the C Block license. The Bureau must prevent this from happening by lowering the reserve price for the initial C Block auction and not altering that reserve for the re-auction.

Sincerely,



Jonathan D. Blake

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Counsel to Frontline Wireless, LLC

⁴ See MetroPCS Petition for Clarification and Reconsideration, *Service Rules for the 698-746, 747-762, and 777-792 Bands et al.*, WT Docket Nos. 06-150 and 96-86, PS Docket 06-229 (Sept. 20, 2007) at 19.

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cc: Chairman Kevin Martin
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Commissioner Robert McDowell
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Renee Crittenden
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