

Leora Hochstein  
Executive Director  
Federal Regulatory Affairs



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1300 I Street, NW, Suite 400 West  
Washington, DC 20005

**Ex Parte**

Phone 202 515-2535  
Fax 202 336-7922  
leora.l.hochstein@verizon.com

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

**Re: *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions, Docket No. 12-268***

Dear Ms. Dortch:

On January 23, Charla Rath, Christopher Oatway, and Leora Hochstein of Verizon met separately with Renee Gregory, Legal Advisor to Chairman Wheeler, and with Erin McGrath, Legal Advisor to Commissioner O’Rielly, to discuss issues in the above-referenced rulemaking proceeding.

First, the Verizon participants explained that in order to meet our customers’ ever increasing demand for mobile broadband and to provide them with the highest quality service, Verizon will need additional spectrum and should be free to participate in the Incentive Auction on the same terms as any other bidder and without restrictions.

The Commission’s goals in the auction include: relieving the spectrum crunch by repurposing broadcast TV spectrum for mobile broadband use; raising revenues for FirstNet and deficit reduction; and promoting wireless competition. The FCC can achieve these objectives through an open auction in which licenses are awarded to bidders that value the spectrum most highly and can put it to its highest and best use. Bidding restrictions would undermine these statutory and policy objectives. In this unique, two-sided incentive auction where demand for spectrum affects supply, restrictions on a particular carrier’s ability to bid will reduce the quantity of spectrum ultimately repurposed from broadcast use for mobile broadband. Strong demand for spectrum by wireless carriers will be necessary to entice broadcasters to give up their spectrum in the reverse auction. On the other hand, reduced demand as a result of bidding restrictions will reduce the amount of spectrum made available to meet consumers’ needs and create a corresponding reduction in service quality to consumers over the long term. If the Commission restricts carriers from bidding on broadcast spectrum, it will miss an historic opportunity to use a market-based mechanism to provide the spectrum consumers demand for mobile broadband.

The spectrum aggregation caps being proposed would restrict only Verizon and AT&T and would allow their competitors such as Sprint and T-Mobile to obtain licenses without having to compete with Verizon and AT&T at auction. Limiting the number of licenses on which Verizon and AT&T may bid would not create more competition in what is already a fiercely competitive market, but would merely shield certain carriers from competition in the auction, allowing them to buy licenses at below market rates. In addition to reducing the amount of spectrum that is made available for auction (as noted above), if the Commission does not receive the full market value for the spectrum it sells and, instead, receives less money than the spectrum is actually worth – by allowing the favored bidders to acquire spectrum at a cut-rate price – it will raise less revenue to fund FirstNet and deficit reduction. Shortchanging taxpayers in the form of a subsidy to certain large incumbents would not be good public policy.

Parties advocating restrictions have failed to support their assertions with evidence. They provide no evidence they would be unable to acquire 600 MHz spectrum in the absence of such restrictions. On the contrary, both Sprint and T-Mobile are backed by large multinational owners with ample ability to make the investment needed to compete at auction if they choose to do so. Nor do the proponents of restrictions assert that they have been unable to acquire the spectrum they need in auctions or in the secondary market. Similarly, proponents of restrictions do not provide evidence supporting the assertion that allowing Verizon and AT&T to participate fully in the auction might discourage other companies from bidding. In fact, unrestricted auctions in the United States have consistently attracted large numbers of smaller bidders that are undeterred by the presence of larger bidders, and those auctions have resulted in licenses being assigned to a wide variety of winning bidders. There is therefore no basis to conclude that imposing restrictions is necessary to achieve any competition objective.

Second, Verizon discussed the broad consensus that has emerged on the band plan the Commission should adopt. Numerous device manufacturers, as well as all four of the nationwide wireless operators, agree that the Commission should adopt a “Down from 51” FDD band plan that maximizes paired spectrum above Channel 37 and that protects against harmful interference from broadcasters. There is also a broad consensus among wireless operators that if enough spectrum is cleared in enough markets, the band plan should feature 35x35 MHz of paired spectrum.<sup>1</sup> For lower clearing scenarios (78 MHz or less in most markets), a 25x25 MHz band plan is advisable.<sup>2</sup>

As required by statute, the consensus band plans discussed above have guard bands and duplex gaps that are technically reasonable. Verizon supports authorizing low-powered unlicensed operations that do not cause interference with licensed operations, but the

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<sup>1</sup> For an illustration of the 35x35 MHz plan supported by all four nationwide wireless operators, Verizon referred to Ex Parte Letter of Kathleen Ham of T-Mobile and Kathleen Grillo of Verizon to Ruth Milkman, Chief of Wireless Telecommunications Bureau, and Gary Epstein, Chief of Incentive Auction Task Force, Docket No. 12-268 (filed Sept. 16, 2013) (“Joint Ex Parte Letter”).

<sup>2</sup> For an illustration of the 25x25 MHz band plan, Verizon referred to Comments of Verizon and Verizon Wireless, Docket No. 12-268 (filed June 14, 2013), Ex. B.

Commission may not enlarge those duplex gaps or guard bands in order merely to increase the amount of unlicensed spectrum.<sup>3</sup>

The band plan proposal that Verizon and T-Mobile jointly filed on September 16, 2013, was designed to facilitate a single 3GPP band class to provide interoperability across all paired blocks in the 600 MHz band. Verizon and T-Mobile have stated that they intend to support adoption of a single band class through the 3GPP standards development organization.<sup>4</sup> Given that the Commission can establish a band plan that promotes interoperability – and that avoids the sorts of impairments that gave rise to the interoperability issues experienced in the Lower 700 MHz band – there is no basis for the Commission to abandon its long-standing policy of avoiding prescriptive mandates and leaving technical interoperability issues to industry standard-setting organizations.

Finally, we discussed Verizon’s support for package bidding and for Economic Area (EA) license sizes. While the best approach is to auction the 600 MHz band using EAs and package bidding, if the Commission were to adopt smaller license areas such as PEAs, package bidding would be imperative because national and regional wireless providers need to be able to efficiently serve key economically integrated population centers.<sup>5</sup> Without package bidding, operators would face an “exposure” risk in that they could be unable to acquire markets that are essential to their business plan. In the event of smaller license sizes, Verizon would urge a package of the top 100 PEAs based on population, as suggested by AT&T, which would still leave 190 individual PEAs across the country available exclusively for individual bids. While that approach would be less administratively and economically efficient than adopting EAs with package bidding, it would at least ensure that operators can achieve economies of scale serving the largest metropolitan areas in the country. Verizon continues to work with other stakeholders on this issue.

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This letter is being filed pursuant to Section 1.1206 of the Commission’s rules. Should you have any questions, please contact the undersigned.

Sincerely,



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<sup>3</sup> Middle Class Tax Relief and Job Creation Act of 2012, Pub. L. No. 112-96, § 6407(b), 126 Stat. 156 (2012).

<sup>4</sup> See Joint Ex Parte Letter at 2.

<sup>5</sup> See Comments of Verizon and Verizon Wireless, Docket Nos. 12-268 & 13-185 (filed Jan. 9, 2014).