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Executive Director  
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February 26, 2014

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**Ex Parte**

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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; Amendment of the Commission's Rules with Regard to Commercial Operations in the 1695-1710 MHz, 1755-1780 MHz, and 2155-2180 MHz Bands, GN Docket No. 13-185**

Dear Ms. Dortch:

On February 24, Charla Rath, Catherine Hilke, and Leora Hochstein from Verizon and Dan Vincent, Professor of Economics, University of Maryland, on behalf of Verizon, met with Roger Sherman, Jessica Almond, Chris Helzer, Sasha Javid, Evan Kwerel, Jonathan McCormack, Erik Salovaara, Blaise Scinto, Martha Stancill, Brett Tarnutzer, Jennifer Tomchin, and Margaret Wiener of the Wireless Telecommunications Bureau; Gary Epstein, AJ Glusman and Edward Smith of the Incentive Auction Task Force; and Jeremy Bulow, Jonathan Levin and Paul Milgrom of Auctionomics.

We reiterated Verizon's strong support for package bidding in both the incentive auction and the upcoming AWS-3 auction. Package bidding gives auction participants maximum flexibility, allowing them to bid on individual licenses or on a group of licenses. Package bidding also lets the market determine whether it is most efficient to allocate parts of a geographic area to various bidders or to provide a larger geographic area to a common bidder.

Package bidding enables carriers not only to acquire the spectrum they need to serve intended geographic areas but to express the value of that package in a bid price at auction rather than through subsequent spectrum purchases in the secondary market. Package bidding can promote geographic consistency and also help promote efficient network build out costs to consumers' benefit. Carriers may achieve substantial economies of scale that will ultimately benefit consumers by developing devices that can be used across a larger geographic footprint.

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We further noted that package bidding is particularly important if the Commission adopts license sizes smaller than EAs, such as the Partial Economic Areas (PEAs) proposed by CCA. Decreasing license area sizes, and thus increasing the number of licenses, heightens the risk associated with failing to acquire a sufficient number of licenses to implement a business plan. A package bid of the top 100 PEAs, however, would minimize this risk while also caring for the threshold problem that smaller carriers may face as the vast majority of rural areas will fall outside the top 100 PEAs and will be available for bidding only on an individual basis.

In its filings, T-Mobile expressed concern that package bidding could generate an excess supply of available licenses in markets where the package bidder was the standing high bidder but then discontinued bidding. We explained that this “excess supply” problem could be solved by not allowing the package bidder to exit the bidding process, *i.e.*, finding that the package bidder wins the license, if the package price exceeds the sum of the prices of the individual licenses within the package. Under this approach, bidders that decide to stop bidding on individual licenses in a package would not be required to pay their bid price once the package bid is higher than the sum of the individual licenses, even if the package bidder later attempts to exit the auction. Thus, once the package price exceeds the sum of the component prices, bidders that stop bidding on individual licenses in the package will have the option of devoting their resources elsewhere in the auction without fear of being held to their individual prices.

Finally, we noted that the Commission’s scoring of broadcasters could discourage their participation in the auction. The Commission does not yet have the 600 MHz spectrum it wishes to auction. Given that the incentive auction depends on the voluntary participation by broadcasters, the Commission should not adopt policies that would risk discouraging broadcasters from selling their spectrum, resulting in less spectrum repurposed for mobile broadband use.

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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,

A handwritten signature in black ink, appearing to read "Jon H. ...". The signature is written in a cursive style and is positioned below the "Sincerely," text.