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EX PARTE VIA ECFS

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

Re: Expanding the Economic and Innovation Opportunities of Spectrum through Incentive Auctions, GN Docket No. 12-268; Policies Regarding Mobile Spectrum Holdings, Docket No. 12-269; Amendment of the Commission's Rules with Regard to Commercial Operations in the 3550-3650 MHz Band, GN Docket No. 12-354

Dear Ms. Dortch:

On April 14, I met with Erin McGrath, Legal Advisor to Commissioner O'Rielly. During the meeting we discussed AT&T's position on a series of wireless issues.

First, we discussed the new proposed spectrum screen, which would more accurately account for all spectrum currently available and useable for mobile wireless services. AT&T supports including in the screen more than 150 MHz of available spectrum that is not currently counted. This approach is fully supported by the significant record amassed by the Commission and is consistent with both the FCC's Wireless Competition Reports to Congress as well as with current wireless deployments.

AT&T also supports the proposal to conduct the AWS-3 auction as an open auction where all bidders are free to bid competitively on all available blocks. An open auction will maximize revenue while allowing new spectrum allocations to go to the bidders that value them most.

Next, we discussed the restrictions being proposed for the 600 MHz auction. As we understand it, after a certain aggregate threshold is reached in the auction (which threshold currently remains undefined), staff is proposing that certain significant bidding restrictions be imposed on any bidder that has more than one-third of the available low band spectrum in a market. AT&T estimates that if such restrictions are adopted, it will be restricted in markets covering over 70% of U.S. POPs.

I explained that we had significant concerns with this proposal, both conceptually and in its specifics. For example, I noted that staff's proposal does not define the threshold for initiation of the restrictions, instead deferring this determination to a subsequent order. But unless the threshold is defined at a significant and material level, non-restricted bidders could get spectrum at a discount that the FCC cannot afford to give in this auction.

I further argued that the proposed restrictions are complicated and unnecessary. It will take a significant amount of revenue to successfully close the forward auction and bidder-specific restrictions will complicate the auction, undermining bidding competition and suppressing revenue.

I also advised Ms. Gregory that such restrictions would put AT&T in an untenable position, forcing AT&T to reevaluate its potential participation in the auction. While the restrictions vary by band plan, in a 60 MHz band plan a full 50% of the blocks (3 out of 6) would be set aside for non-restricted bidders. And with a 50 MHz band plan, 40% of the blocks (2 out of 5) would be set aside for non-restricted bidders. Even with a 70 MHz band plan, 42% of the blocks (3 out of 7) are set aside. (See attached Chart of Restrictions, which I referred to during the meeting).

In short, in all band plans less than 70 MHz, restricted bidders -- specifically AT&T and Verizon (and in a small number of markets, potentially US Cellular or CSpire) -- would be limited to bidding for only 3 blocks. And in each market where the restrictions attach to at least two carriers, at most only one restricted carrier could emerge from the auction with a 10x10 MHz allocation.

As AT&T has documented in the record of this proceeding, a 10x10 MHz allocation is necessary to achieve minimal economic and technical efficiencies in an LTE deployment. Indeed, carriers in the United States are already planning and deploying 15x15 MHz and 20x20 MHz networks. The auction restrictions as proposed make it a virtual certainty that, for many proposed band plans, either AT&T or Verizon or both would be limited by the auction restrictions to a fragmented, uneconomic and inefficient 600 MHz footprint.

This is in stark contrast to the preferred treatment given to unrestricted carriers, who would not only be free to bid for any available spectrum block, but would be able to bid for valuable spectrum without competition from AT&T or Verizon. By precluding AT&T and Verizon from even bidding for certain blocks, the proposal would essentially create a set aside that eliminates real bidding competition for the benefit of the favored non-restricted companies.

The restrictions would thus put AT&T in an untenable and unacceptable position. AT&T could either participate in the auction, accepting that it will likely obtain only a fragmented and inefficient 600 MHz footprint, or it can choose to withhold its capital for other investments and sit out of the auction entirely. AT&T has never declined to

participate in a major spectrum auction and certainly did not intend to do so here, where capital contributions will be needed across the wireless industry for a successful outcome. But if the restrictions as proposed are adopted, AT&T will need to seriously consider whether its capital and resources are directed toward other spectrum opportunities that will better enable AT&T to continue to support high quality LTE network deployments to serve its customers.

Finally, I discussed the 3.5 GHz FNPRM that is circulating for a vote. AT&T supports the Commission's innovative approach to sharing spectrum in the 3.5 GHz band. Because the three-tier framework requires a complex SAS that is fraught with deployment risk, AT&T recommends a transitional, phased-in, interim approach to deployment of PAL and GAA operations. We look forward to continued discussions with Staff on opportunities in this band.

In accordance with the Commission’s rules, this letter is being filed electronically with the Secretary for inclusion in the public record.

Sincerely,

Joan Marsh

cc: Erin McGrath

PROPOSED AUCTION RESTRICTIONS

BAND PLAN 70 MHz (35x35)/SEVEN 5x5 BLOCKS:	X	X	X	X	X	X	X
BAND PLAN 60 MHz (30x30)/SIX 5x5 BLOCKS:	X	X	X	X	X	X	
BAND PLAN 50 MHz (25x25)/FIVE 5x5 BLOCKS:	X	X	X	X	X		
BAND PLAN 40 MHz (20x20)/FOUR 5x5 BLOCKS:	X	X	X	X			

NON-RESTRICTED BIDDERS CAN BID FOR ALL BLOCKS

RESTRICTED BIDDERS (MORE THAN 1/3 OF TOTAL LOW BAND SPECTRUM IN THE MARKET) CAN ONLY BID FOR RESTRICTED OR RED BLOCKS