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By Electronic Filing

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, WT Docket No. 12-269*

Dear Ms. Dortch:

The Commission is currently considering auction rules that would shield almost half of the available 600 MHz spectrum in each market from a fully open auction, in order to allow providers like T-Mobile and Sprint to acquire such spectrum without having to compete at auction with AT&T and Verizon. T-Mobile and Sprint have suggested that the Commission could justify such restrictions in part because AT&T and Verizon were allegedly "awarded" the low-frequency spectrum they now hold through past "assignments" for which they did not have to pay.[1] AT&T has previously disputed these claims, noting that the large majority of its low-frequency spectrum holdings were purchased at auction or in secondary markets. Because parties continue to misstate the facts in this regard, AT&T submits this brief letter to set the record straight.

Contrary to claims that much of AT&T's low-frequency spectrum holdings were given to AT&T in the mid-1980s, AT&T acquired nearly 97 percent of its low-frequency spectrum at auction or through secondary market transactions. AT&T's ultimate predecessor, Southwestern Bell Telephone Company ("SWBT"), was originally assigned Cellular B-Block licenses in only a small number of license areas covering portions of five states.[2] Those original licenses today

[1] Letter from Trey Hanbury, Counsel to T-Mobile USA, Inc., to Marlene H. Dortch, Secretary, Federal Communications Commission, GN Docket No. 12-268 & WT Docket No. 12-269, at 4 (Oct. 17, 2013) (suggesting that AT&T and Verizon's low frequency deployments "rest in part on frequencies awarded to the dominant incumbents without auction three decades ago"); *see also* "Sprint's Competition-Based Framework for a Weighted Wireless Broadband Spectrum Screen" at 5 & n.11, attached to Letter from Lawrence R. Krevor, Sprint, to Marlene H. Dortch, FCC, WT Docket No. 12-269 (Feb. 11, 2014).

[2] *See* Attachment 1 (map of AT&T's original awarded Cellular spectrum). This map represents the Cellular B-Block licenses in which SWBT had an interest in early 1991 as the cellular licensing process was winding down. The map excludes the A-Block cellular spectrum that SWBT purchased on the

represent about 3.5 percent of the low-frequency spectrum AT&T holds in the top 100 CMAs (as measured by MHz-POPs), and only about 3.3 percent of AT&T's total low-frequency spectrum in all CMAs.[3] AT&T acquired the rest of its Cellular spectrum through a $41 billion dollar transaction with AT&T Wireless, even larger transactions with Ameritech and BellSouth, and numerous purchases from a number of other companies.[4] AT&T acquired its Lower 700 MHz spectrum through its $6.6 billion of winning bids in Auction 73 – an auction in which Sprint and T-Mobile were eligible to participate, but did not – as well as billions of dollars of additional spectrum-only acquisitions from a variety of companies that won spectrum in the Commission's 700 MHz auctions.[5]

Sprint and T-Mobile had their own opportunities to acquire low-frequency spectrum, but they consciously *chose not to*, purely for reasons of business strategy. Sprint actually acquired Centel in 1993, which held 850 MHz licenses covering almost as much of the population as the licenses originally assigned to SWBT.[6] In 1996, however, Sprint made a business decision to spin off Centel's cellular operations so it could focus on deploying PCS spectrum instead.[7] In addition, American Personal Communications, a Sprint-led joint venture, was awarded a Pioneer's Preference license for 30 MHz of PCS spectrum in Washington, D.C in the 1994 PCS auction. T-Mobile also was the beneficiary of an early Commission benefit – one of T-Mobile's predecessors was Omnipoint, which received a Pioneer's Preference license for 30 MHz of PCS spectrum in New York City. The value of those preferences at the time was several hundred million dollars; in today's dollars, they would be worth more than a billion dollars. Since that time, Sprint and T-Mobile have placed a higher value on gaining the efficiencies of building larger blocks of compatible spectrum, and thus they have focused on adding to their stores of high-frequency spectrum. In pursuing this strategy, they have freely declined opportunities to pursue low-frequency spectrum – the most prominent example being the decision by both companies not to participate in the 700 MHz auctions.

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secondary market from Metromedia in 1987, as well as spectrum held by partnerships in which SWBT held an interest of 2.5 percent or less. Nonetheless, even this map overstates the extent to which SWBT benefitted from the FCC's initial distributions of cellular licenses (which occurred through a mix of comparative hearings and lotteries), because nearly all of the licenses depicted on the map were held not by SWBT alone but by *partnerships* of incumbent local exchange carriers that each operated in different service areas within the license area. Over time, AT&T has bought out most of these partners.

[3] *See* Attachment 2 (listing each spectrum transaction); Attachment 3 (map of all of AT&T's 850 MHz spectrum, separately showing awarded and acquired spectrum).

[4] *See* Attachment 2.

[5] AT&T also paid $1.93 billion for the Lower 700 MHz D- and E-Block licenses held by Qualcomm, but as AT&T has previously argued, the Commission should not count this spectrum as "low-frequency" spectrum for spectrum aggregation purposes because such spectrum must be bonded with high-frequency spectrum for use as supplemental downlink.

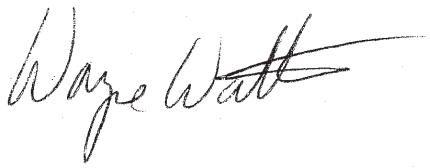
[6] SWBT's original B-side Cellular licenses covered approximately 15,481,959 POPs (based on 1990 census data). Sprint, with its purchase of Centel, acquired 11,023,926 B-side POPs.

[7] *See, e.g.*, *Sprint To Spin Off Cellular Business*, Newsbytes PM (July 27, 1995) ("The PCS network will reach a potential 180 million customers, [Sprint spokesman] Dykes said, while the cellular customer's base is 20 million. 'The board decided that it's simply prudent for shareholder value and future opportunity to go with the PCS option.'").

More recently, however, Sprint and T-Mobile have shown that they are capable of acquiring low-frequency spectrum without special assistance from the Commission. T-Mobile recently purchased what it describes as a "huge swath" of 700 MHz A-Block spectrum, which covers 70 percent of T-Mobile's customer base.[8] The deal, which was just approved by the Commission, gives T-Mobile low-frequency spectrum in 21 of the top 30 U.S. markets, including New York, Los Angeles and Washington.[9] The new spectrum covers an area with 158 million potential customers. Moreover, T-Mobile's senior management has made clear that T-Mobile has "a whole host of solutions" for acquiring additional low-frequency spectrum in the secondary market.[10] Similarly, Sprint acquired a large amount of 800 MHz spectrum from Nextel and has announced that it will use that 800 MHz spectrum as the low-frequency foundation of its Sprint Spark service, which "will work via the combination of its 800 MHz, 1.9 GHz and 2.5 GHz LTE spectrum."[11]

In short, there is simply no basis to give Sprint and T-Mobile special treatment in this auction. When Sprint entered the 1995 auctions for PCS spectrum, it was the highest bidder of all wireless providers, and acquired the most spectrum. Similarly, when T-Mobile entered the 2006 AWS-1 auction, it was the highest bidder of all wireless providers, and acquired the most spectrum. Softbank and Deutsche Telekom, the current parent companies of Sprint and T-Mobile, are major global corporations that have the wherewithal to participate in this auction on a full and fair basis, and giving these companies a leg up is unfair and without justification.

Sincerely,



Attachments

[8] Remarks of Neville Ray, Chief Technology Officer, T-Mobile USA, Inc., Morgan Stanley Technology, Media & Telecom Conference (Mar. 5, 2014), at 3.

[9] *See Wireless News Item*, Communications Daily (Apr. 24, 2014) at 10-11.

[10] Remarks of Neville Ray, Chief Technology Officer, T-Mobile USA, Inc., Deutsche Bank Media, Internet & Telecom Conference (Mar. 10, 2014), at 9 (stating that T-Mobile has "a whole host of solutions" for expanding its low-frequency coverage, including acquiring additional 700 MHz licenses on the secondary market).

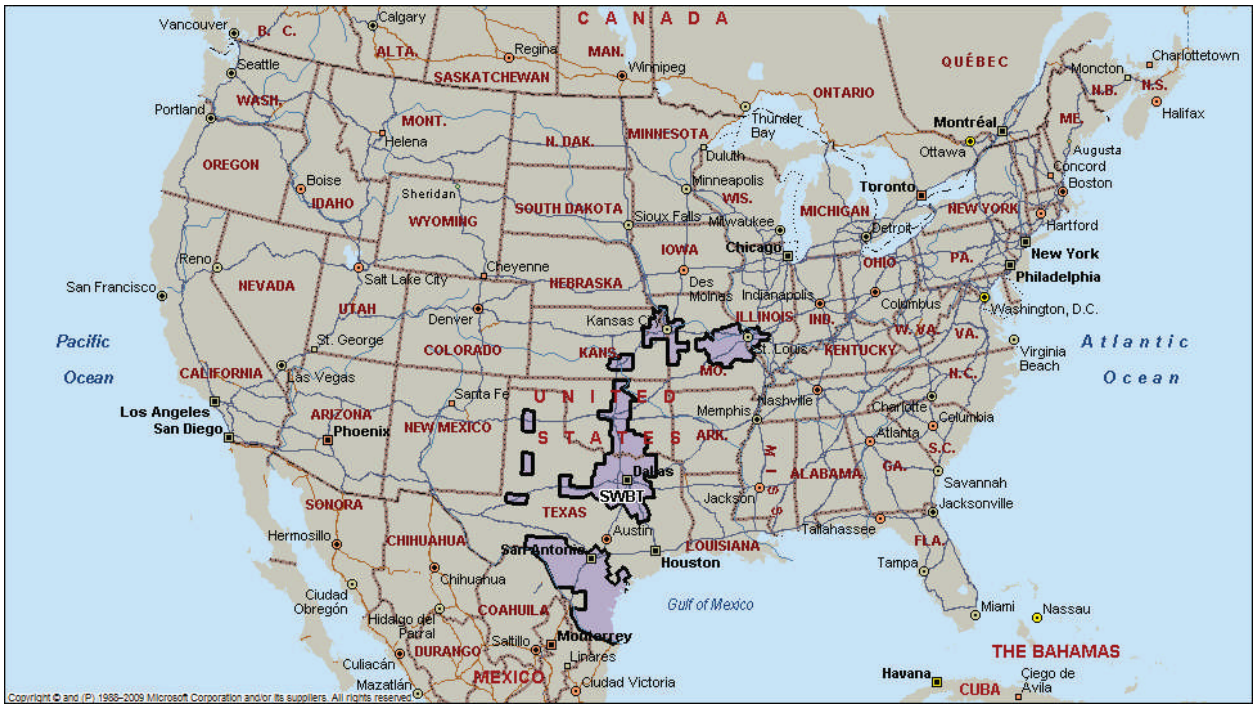
[11] Phil Goldstein, *Sprint Spark to combine LTE in 800 MHz, 1.9 GHz and 2.5 GHz, will offer 50-60 Mbps peak speeds*, FierceWireless (Oct. 30, 2013), http://www.fiercewireless.com/story/sprint-spark-combine-lte-800-mhz-19-ghz-and-25-ghz-will-offer-50-60-mbps-pe/2013-10-30#ixzz2z0BbdEpU.

ATTACHMENT 1

Map of AT&T's Originally Awarded
Cellular Spectrum

Attachment 1

AT&T's Original 850 MHz Cellular Telephone Licenses



This map depicts the Cellular Market Areas for the B Block 850 MHz cellular telephone licenses in which AT&T's ultimate predecessor, Southwestern Bell Telephone Company ("SWBT"), had an interest in early 1991 as the cellular licensing process was winding down. The map excludes the A Block cellular spectrum that SWBT purchased on the secondary market from Metromedia in 1987, as well as spectrum held by partnerships in which SWBT held an interest of 2.5 percent or less.

ATTACHMENT 2

List of Spectrum Transactions

Attachment 2

Origins of AT&T 850 MHz Cellular Spectrum		
Transaction	**Percentage**	**Year**
AT&T Wireless	43.73%	2004
BellSouth	14.87%	2006
Metromedia	7.64%	1987
Ameritech	4.92%	1999
Dobson	4.10%	2007
Comcast	3.31%	1999
ALLTEL	2.54%	2010
SNET	2.11%	1998
ATN	1.63%	2013
Centennial	1.62%	2009
CCPR	1.35%	1999
Associated Communications	1.13%	1994
Other	3.96%	Various
Southwestern Bell	7.09%	1980s

ATTACHMENT 3

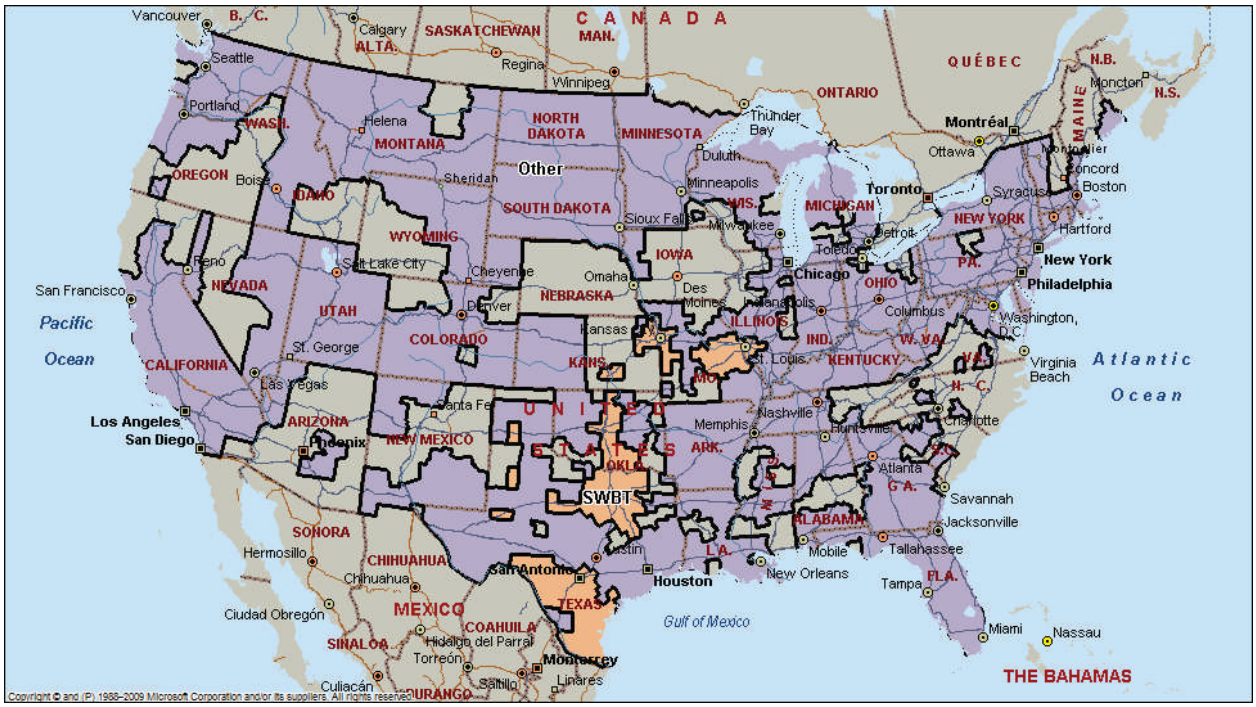
Map of AT&T's 850 MHz Spectrum

Attachment 3

AT&T's 850 MHz Cellular Telephone Licenses Acquired in Secondary Market Transactions

And

AT&T's Original 850 MHz Cellular Telephone Licenses



Gray represents areas in which AT&T does not hold 850 MHz cellular telephone licenses.

Purple represents areas in which AT&T acquired 850 MHz cellular telephone licenses from third parties in secondary market transactions.

Orange represents areas in which AT&T's ultimate predecessor, Southwestern Bell Telephone Company, had an interest of greater than 2.5 percent in B Block 850 MHz cellular telephone licenses in early 1991 as the cellular licensing process was winding down.