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May 9, 2014

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TW-A325
Washington, D.C. 20554

Re: *Policies Regarding Mobile Spectrum Holdings*, WT Docket No. 12-269
Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions, GN Docket No. 12-268

Dear Ms. Dortch:

On May 8, 2014, the parties listed below ("meeting participants") met with Commissioner Jessica Rosenworcel and David Goldman to discuss elements of the FCC's Mobile Spectrum Holdings proceeding and related incentive auction policies. Separately, Trey Hanbury met with Renee Gregory and discussed the same issues.

Attended In Person:
Steven Berry, Competitive Carriers Association
Chip Pickering, COMPTEL
Jeff Blum, DISH Network
Trey Hanbury, Hogan Lovells
Michael Calabrese, New America Foundation
John Bergmayer, Public Knowledge
Larry Krevor, Sprint Corporation
Kathleen Ham, T-Mobile USA

Attended By Telephone:
Ben Moncrief, C Spire Wireless
Tim Donovan, Competitive Carriers Association
Rebecca Thompson, Competitive Carriers Association
Cathy Sloan, Computer & Communications Industry Association
Wesley Platt, Hogan Lovells
Gardner Foster, Sprint Corporation
Professor Peter Cramton, University of Maryland
John Vezina, Writers Guild of America, West

The meeting participants welcomed the Commission's efforts to craft a transparent auction framework that balances one-time revenue objectives and the long-term benefits of robust competition. Competitive carriers are excited to participate in the upcoming 600 MHz incentive auction. The proposed incentive auction framework properly acknowledges the economic and competitive benefits of low-frequency spectrum as critical for providing improved coverage both in urban centers and in rural areas.

The meeting participants believe that the Commission's proposed framework will improve opportunities for competitive providers to bid on and win much-needed low-band spectrum. It is critical that smaller carriers and carriers that currently have little or no access to low-band spectrum become part of the 600 MHz ecosystem, allowing them to leverage economies of scale and provide new consumer services. By encouraging participation by these carriers, the Commission's proposed framework will lead to greater auction revenue and higher payments to those broadcasters who voluntarily sell their spectrum.

Building on this proposed framework, the meeting participants made suggestions on several interrelated issues to further increase revenues, promote competition in the wireless market, and encourage broader and faster LTE deployments—particularly in rural areas.

First, competition would be enhanced if the Commission reserved more licenses for competitive access by allocating an odd number of unreserved licenses, which would force carriers that already control excessive low-band spectrum to compete with each other and would increase the likelihood of generating more revenue in both the reserved and unreserved blocks.[1] At 70 MHz of broadband clearing, for example, dividing seven available licenses into three unreserved licenses and four reserved licenses would force AT&T and Verizon to compete to determine who gets two licenses and who gets only one—an outcome similar to the dynamic in Canada's 700 MHz auction, which led to higher revenues. At 60 MHz of broadband clearing, preserving the three unreserved licenses is critical. Decreasing the reserve blocks from three to two at 60 MHz of broadband clearing would not only discourage competitive bidding between the two dominant licensees, but also frustrate the auction's clearing targets by establishing a perverse incentive for AT&T and Verizon to clear less, rather than more, spectrum for broadband use. If four unreserved blocks were available in both a 70 MHz and a 60 MHz clearing scenario, for example, Verizon and AT&T would not need to support 70 MHz of clearing for each of them to acquire the 20 MHz of broadband spectrum target they claim to need. A reduction in the reserve would mean that the benefit of clearing more than 60 MHz of spectrum would flow largely to the non-dominant carriers, which is an outcome AT&T and Verizon will seek to discourage. Perhaps most important, creating an odd number of unreserved lots provides a strong incentive for whichever of the two dominant carriers acquires the minority of unreserved

[1] *See, e.g.*, Peter Cramton, *Auction Revenues and Competition Policy in the 600 MHz Auction* 1 (May 8, 2014), *attached to* Letter from Competitive Carriers Association to Marlene H. Dortch, Docket Nos. 12-268 & 12-269, at 1 (May 8, 2014) ("The bottom line is that auction competition and revenues are maximized when there are an odd number of unreserved spectrum blocks.").

licenses to partner with FirstNet. If there are three reserved licenses and one of the two dominant carriers—after intense bidding—acquires only one block, partnering with FirstNet would offer the carrier with the smaller share a ready-made opportunity to secure additional spectrum, especially since the additional spectrum would not count against that carrier's spectrum holdings for purposes of the spectrum screen.

Second, the meeting participants encouraged the Commission to account for the effects of national market power during the auction, as the Department of Justice has recommended, by adopting a national eligibility requirement for reserved spectrum in addition to a local eligibility requirement. A dual eligibility requirement would more accurately reflect market power while still allowing AT&T and Verizon to bid on reserved blocks of spectrum in areas where they do not hold excessive low-band spectrum. While U.S. Cellular has expressed an interest in there being no reserve,[2] the representatives strongly urged the Commission to preserve and enhance the reserve in the interest of consumers and competition. We have consulted with U.S. Cellular and have shared our analysis that finds they would do as well or better with a reserve as with no reserve.

Third and finally, the meeting participants asked the Commission to continue to recognize the varying utility of different types of spectrum and account for this differing utility in its transaction screen.

This *ex parte* notification is being filed electronically with your office pursuant to Section 1.1206 of the Commission's Rules.

Respectfully submitted,

/s/ Trey Hanbury

Trey Hanbury
Counsel to T-Mobile USA, Inc.

cc: Commissioner Jessica Rosenworcel
David Goldman
Renee Gregory

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[2] *See* Letter from United States Cellular Corp. to Marlene H. Dortch, Docket Nos. 12-268, 12-269, at 1 (May 7, 2014).