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Ex Parte

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:

On May 8, Kathleen Grillo and Michael Glover of Verizon met with Commissioner Clyburn, Louis Peraertz, Legal Advisor to Commissioner Clyburn, and Stefanie Frank, law clerk, to discuss the above-referenced proceedings.

Verizon explained that it shares the Commission's objective of ensuring a successful incentive auction that brings the largest amount of spectrum to market to benefit all providers and their customers. Verizon stated that the more certainty the rules provide, the more broadcasters and wireless providers will participate, and the more spectrum will be repurposed for use by all providers to meet the needs of consumers and businesses for broadband. Verizon stressed that the best way to promote a successful incentive auction is to ensure the widest possible participation from broadcasters and robust competition between wireless carriers.

Verizon expressed concern, however, that adopting bidding restrictions proposed by competitors would reduce the amount of spectrum made available in the auction and would add to its complexity. Set-asides in general can reduce auction revenues by limiting competition in the auction, and harm consumer welfare. Those risks are magnified in the context of a two-sided auction. Verizon also discussed that the added complexity caused by set-asides would be compounded if the Commission adopted restrictions on firms' ability to transfer licenses purchased during the incentive auction on the secondary market. Such restrictions would suppress the value of the licenses at auction, further reducing competition and further increasing the risk that broadcasters do not relinquish substantial amounts of spectrum. That is because firms are less likely to participate, or to bid aggressively, if they know that they will be unable to subsequently sell their spectrum if their business plans change or do not work out.

Most importantly, Verizon stressed that it would be perverse and unjust for the Commission to adopt auction rules that subsidize some large multinational companies at the expense of their competitors. T-Mobile and Sprint are large corporations with established, well-financed corporate parents. They and their parent corporations are more than capable of paying substantial amounts to acquire spectrum in the incentive auction if they choose to do so. The last time T-Mobile chose to participate in an auction, it dominated the bidding – spending $4.2 billion and acquiring more spectrum than Verizon and AT&T combined. And Sprint's new owners have ample resources with which to buy spectrum in the incentive auction if they choose to participate.[1]

Nor do T-Mobile or Sprint lack for spectrum. In fact, Sprint holds nearly *twice* as much spectrum as Verizon on an overall basis. In addition, it already has a coverage layer of low- frequency spectrum with which it is already providing LTE service. T-Mobile has just purchased 700 MHz A Block licenses allowing it to cover 70% of its customer base, including 9 of the 10 top markets.

Finally, Verizon stressed that it is critical that the Commission update its spectrum screen to include all suitable and available spectrum, including the entire 2.5 GHz band and the AWS-4 band. By Sprint's own senior executives' statements, the 2.5 GHz spectrum is being used by Sprint for mobile broadband and thus meets the test the Commission uses for inclusion in the screen. And, as Verizon has demonstrated repeatedly in prior filings, the alleged encumbrances – which have not and do not inhibit Sprint's or any other licensee's ability to provide service in these bands – do not justify granting Sprint preferential treatment by "discounting" its spectrum compared to that of all other providers. Verizon also discussed why the Commission should reject Sprint's complex and arbitrary weighting proposal.

Please contact the undersigned if you have any questions.

Sincerely,

cc: Commissioner Clyburn
Louis Peraertz

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[1] Sprint's parent, Softbank, has already provided an $8 billion cash infusion so that it can compete more effectively. *Applications of Sprint Nextel Corporation, Transferor, SoftBank Corp. et al.*, IB Docket No. 12-343, Public Interest Statement, 1, 6, 14, 23 (Dec. 4, 2012). And Softbank could provide much more. Press reports make clear that Softbank's stake in ecommerce giant Alibaba after that company's upcoming IPO could provide it with an estimated $30 billion in cash. *See* Mayumi Negishi, "What Alibaba Means for Softbank," Wall Street Journal Blog Post (Mar. 17, 2014), *available at* http://blogs.wsj.com/japanrealtime/2014/03/17/what-alibabas-ipo-means-for-softbank/. Some experts say Alibaba's IPO could be the largest in U.S. history. *See* Alibaba IPO: What to Know, By the Numbers, Julianne Pepitone, NBC News (May 6, 2014), *available at* http://www.nbcnews.com/#/tech/tech-news/alibaba-ipo-what-know-numbers-n98631.