Hogan Lovells US LLP
Columbia Square
555 Thirteenth Street, NW
Washington, DC 20004
T +1 202 637 5600
F +1 202 637 5910
www.hoganlovells.com

Trey Hanbury
Partner
D +1 202 637 5534
trey.hanbury@hoganlovells.com

July 21, 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 July 17, 2014, representatives of T-Mobile USA, Inc. ("T-Mobile")[1] met with Federal Communications Commission ("Commission") officials. Attending the meeting on behalf of T-Mobile were Kathleen Ham, Michael Amend, Steve Sharkey, and Chris Wieczorek of T-Mobile; Drs. Greg Rosston and Andrej Skrzypacz, consultants to T-Mobile; and Trey Hanbury of Hogan Lovells US LLP, counsel to T-Mobile. Attending the meeting from the Commission were Gary Epstein, Howard Symons, Margaret Wiener, Martha Stancill, Brett Tarnutzer, John Leibovitz, Matthew Hussey, Melissa Dunford, Bill Scher, Chris Helzer, Joel Taubenblatt, and Evan Kwerel.

The parties discussed the attached presentation. Consistent with section 1.206(b)(2) of the Commission's rules, please associate this letter with the above-referenced docket.

Respectfully submitted,

/s/ Trey Hanbury

Trey Hanbury
Counsel to T-Mobile USA, Inc.

[1] T-Mobile USA, Inc. is a wholly-owned subsidiary of T-Mobile US, Inc., a publicly traded company.

T · · Mobile ·

Incentive Auction Procedures

July 17, 2014

Final Stage Rule

- The "final stage rule" is a threshold that triggers the spectrum reserve; it has two components.
  - First, the final stage rule must ensure that revenue requirements are met (*i.e.*, broadcasters are compensated and funds are sufficient to meet statutory relocation expenses and any remaining FirstNet obligations).
  - Second, the final stage rule must meet one of two additional requirements:
    - A fixed price benchmark; or
    - A variable price benchmark to be determined based on the amount of spectrum cleared and the population of the cleared area.
- Implementing the second prong of the final stage rule raises policy concerns and practical challenges.
  - Any spectrum not sold becomes unavailable for broadband use for the indefinite future.
  - Predicting prices at a market level is difficult and second-guesses the market.
  - Too high of a threshold price could still allow foreclosure and dampen future competition.

T · · Mobile ·

Pre-Defined Package(s) of PEAs

- Partial economic areas (PEAs) strike the right balance among many competing goals in the incentive auction bidding process.
- Creating packages of PEAs – either by block or by geography or both – introduces complexity and uncertainty into the forward-auction process.
- Even pre-defined license packages raises complex questions concerning:
  - Eligibility
  - Market Variability
  - Impaired Licenses
  - Oversupply
  - Reserved Spectrum
  - Clock Resets
- A pre-defined combination of PEAs in major markets is not necessary to manage exposure risk: exposure risk is already lowest in the top markets because fewer bidders can afford to participate in those markets.

Market Variation

- Allowing spectrum availability to vary somewhat among PEAs while adopting a “nearly nationwide” band plan for the 600 MHz spectrum will help increase broadband spectrum availability, minimize cross-market interference, and promote scale.
  - Bidders do not want a handful of heavily encumbered markets to dictate a “lowest common denominator” band plan for the 600 MHz spectrum.
  - But at the same time bidders also do not want a band plan that ignores critical major markets, such as New York or Los Angeles.
- A population-based metric for achieving a “nearly nationwide” band plan – perhaps in combination with a threshold level of coverage of a certain number of major markets – would allow for better calibration of market variability than either geographically-based or license-area-based measurements.
- Use of a sliding scale approach at different levels of broadband clearing would accommodate changing bidder tolerances for variability under different band plans.

Impaired Licenses and Assignment Auction

- Impaired licenses will operate under constraints in a portion of their licensed geographic area that unimpaired licenses do not face.
- Three principles should govern any assignment-round auction of the impaired licenses:
  - ***Revenue-Neutral Assignment***. The assignment-round auction should not reduce the financial resources payable to broadcasters for spectrum clearing.
  - ***Clear Information about the Impairment***. Providing detailed information about the geography affected by co- and adjacent-channel transmitters or receivers and establishing broad categories of impairment that vary by market tier would simplify the assignment round auction.
  - ***Sufficient Time for Analysis***. The final resource-optimization plan for remaining broadcast operations will determine the number of impaired licenses and the degree of impairment on each license. Bidders need time to analyze this data against their license holdings to make rational decisions about how to bid in the assignment-round auction.

Upfront Payments and Eligibility

- Bidders submit upfront payments to deter frivolous bidding and provide funds to the FCC should the bidder incur liability during the auction.
- Upfront payments historically have established bidding eligibility on a one-for-one basis: each license is assigned a specific number of bidding units, typically equal to one bidding unit per dollar of upfront payment.
- In the incentive auction, upfront payments and bidder eligibility are difficult to calculate using traditional methods.
  - The total number and geography of licenses available for bidding cannot be known prior to running the auction.
  - The number and degree of impaired licenses is also unknown.
- Determining upfront payments and eligibility prior to the incentive auction using methods from past auctions is challenging; therefore, an alternative mechanism to determine these features is required.