



June 15, 2005

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

Re: FCC Public Notice, Comment Sought on Experimental Design for Examining Performance Properties of Simultaneous Multiple Round Spectrum License Auctions with and without Combinatorial Bidding, DA 05-1267 (rel. May 2, 2005)

Dear Ms. Dortch:

T-Mobile USA, Inc. (“T-Mobile”) submits this reply to comments filed in the above-referenced proceeding. T-Mobile applauds the Wireless Telecommunications Bureau’s (“Bureau”) effort to improve the auction process by exploring an experimental combinatorial bidding design and urges the Bureau to continue its consideration of such techniques. T-Mobile agrees, however, with other commenters that the importance of the upcoming Advanced Wireless Services (“AWS”) auction at 1.7/2.1 GHz weighs heavily against the application of combinatorial bidding in that context.¹

T-Mobile recommends that the FCC conduct the AWS auction by simultaneous multiple-round bidding – a tried and tested approach that has served the FCC well – in order to ensure that spectrum is awarded efficiently to bidders that value the spectrum the most. A combinatorial auction would unduly complicate planning and bidding for AWS auction participants and could result in a delay of the targeted June 2006 auction date. Given the recent consolidations in the wireless industry, it is even more critical for the

¹ See Comments of Telephone and Data Systems, Inc. and United States Cellular Corporation, DA 05-1267, at 3 (June 1, 2005) (“TDS and U.S. Cellular Comments”) (“the upcoming auction of Advanced Wireless Spectrum in 1.7/2.1 GHz as well as several other planned auctions will be too large-scale and high-stakes – in value and number of licenses, as well as importance to the industry and public – to apply package bidding”).

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FCC to make additional spectrum available as quickly as possible for the deployment of advanced telecommunications services.

The FCC must balance any interest in conducting “package” bidding – in the context AWS or other services – against other important policy goals, such as the rapid deployment of spectrum and the promotion of competition. The FCC has never attempted a combinatorial auction on the scale of AWS.² Given the number of licenses and the potential number of bidders, package bidding could be especially complex and daunting in the context of an auction of AWS. The design needs to be simple, flexible and neutral to all bidders (*i.e.*, not skewed toward larger bidders) in order to succeed, and the auction needs to proceed as planned by June 2006. Conducting the AWS auction through combinatorial bidding would, at a minimum, require the FCC to engage potential bidders and auction experts in significant comment and dialogue, including: (1) developing proposed experimental “mock” auctions; (2) conducting those auctions; and (3) evaluating the results of all experiments and any responsive comments.³ Completion of these steps would require substantial time and likely delay the commencement of the auction. T-Mobile also opposes fragmenting the AWS spectrum into multiple auctions (*i.e.*, to reduce the number of licenses subject to combinatorial bidding), because deploying the entire 90 MHz complement of AWS licenses in a single auction is essential for competition.

Additionally, the sheer complexity of an AWS auction would limit the predictive value of laboratory experiments on combinatorial bidding. The real-world AWS auction would bear little resemblance to any proposed experimental design in the number of bidders, number of simultaneously auctioned licenses, duration, bidding strategies and other important features.⁴ TDS and U.S. Cellular cite Auction No. 58 (broadband PCS),

² The FCC used package bidding for the first time in September 2003 in Auction No. 51. In that auction, the FCC allowed parties to bid on a package of five regional narrowband PCS licenses that together cover the entire United States. The winning bidder, competing against only one other party, won the package for a net bid of \$134,250. *See* FCC Public Notice, *Regional Narrowband PCS Spectrum Auction Closes, Winning Bidder Announced*, 18 FCC Rcd 19689 (2003). Although the FCC announced in 2000 that it would use a combinatorial bidding system for Auction No. 31 (12 upper 700 MHz band licenses), that auction was postponed and has not yet been rescheduled. *See* FCC Public Notice, *Auction of Licenses in the 747-762 and 777-792 MHz Bands (Auction No. 31) is Rescheduled*, 17 FCC Rcd 14546 (2002). *See generally* *Amendment of Part 22 of the Commission's Rules to Benefit the Consumers of Air-Ground Telecommunications Services*, 20 FCC Rcd 4403 (2005) (adopting rules in which licenses for the provision of air-to-ground services are to be awarded based upon the band configuration that receives the highest aggregate gross bid at auction).

³ *See generally* 47 U.S.C. § 309(j)(3)(E) (requiring notice and comment on proposed auction procedures and adequate time for interested parties to develop business plans, assess market conditions, and evaluate the availability of equipment for the relevant services).

⁴ TDS and U.S. Cellular Comments at 6.

which involved 35 qualified bidders bidding on 217 licenses in 91 rounds over 15 days, as an example of real world complexity.⁵ The proposed AWS auction includes nearly five times as many licenses,⁶ as well as other complicating factors. With very few exceptions, all other major wireless auctions⁷ involved single geographic areas, and in most cases licenses of a common bandwidth. The AWS auction, by contrast, will involve three different geographic areas, with varying spectral sizes of 10, 20 and 30 MHz.⁸ A small, simplified laboratory experiment may have little utility in examining the effects of combinatorial bidding on the large, complex, and critical AWS auction.

In summary, T-Mobile recognizes that the FCC is engaged in excellent work in the development of combinatorial bidding and that such an auction design holds great potential in the proper context. T-Mobile welcomes entering into a dialogue with the Bureau about how best to achieve a simple, flexible and fair combinatorial design. However, T-Mobile urges the FCC not to experiment with this nascent design in the upcoming 1.7/2.1 GHz AWS auction, but rather to reserve it for a future set of licenses that involves fewer combinations to ensure a manageable auction for the bidders.⁹ Also, potential bidders will need time to evaluate, test and gain comfort with combinatorial bidding. Finally, it is critical that the FCC rapidly deploy additional spectrum for mobile voice and data to counterbalance consolidation that is occurring in the marketplace.¹⁰ The best course is to auction the 90 MHz of AWS spectrum as quickly as possible next

⁵ *See id.*

⁶ Specifically, the current band plan contemplates 176 Economic Area (“EA”) licenses, 36 Regional Economic Area Grouping licenses, and 734 Metropolitan Statistical Area/Rural Service Area licenses, for a total of 946 licenses.

⁷ *See, e.g.*, Auction Nos. 4, 5, 10, 11, 22 and 35.

⁸ There are several requests pending for reexamination of the AWS band plan. *See, e.g.*, Ex Parte Letter of Rural Telecommunications Group and T-Mobile, WT Dkt No. 02-353 (Mar. 11, 2005).

⁹ One example of an upcoming auction with fewer licenses and uniform market areas is the proposed auction of the C and D blocks of the upper 700 MHz band. In that case, the FCC is auctioning 12 licenses, all based on Economic Area Groupings. *See* FCC Auction Website, Auction 31 Upper 700 MHz Band, *available at* http://wireless.fcc.gov/auctions/default.htm?job=auction_factsheet&id=31 (visited June 15, 2005).

¹⁰ The statutory requirement that the “total cash proceeds” of the auction must equal or exceed 110 percent of the estimated relocation costs of eligible federal incumbents adds an additional layer of complexity to the AWS auction. *See Implementation of the Commercial Spectrum Enhancement Act and Modernization of the Commission’s Competitive Bidding Rules and Procedures*, Declaratory Ruling and Notice of Proposed Rulemaking, WT Dkt No. 05-211, FCC 05-123, ¶ 6 (rel. June 14, 2005) (stating that the Commercial Spectrum Enhancement Act requires that the “total cash proceeds” from any auction of eligible frequencies must equal at least 110 percent of estimated relocation costs of eligible federal entities).

year by a traditional simultaneous multiple round auction, which will allow bidders like T-Mobile to participate with sufficient certainty and confidence.

Sincerely,

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