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**Ex Parte**

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Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 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 April 28, Kathleen Grillo and Michael Glover of Verizon met separately with Commissioner Pai, Matthew Berry and Brendan Carr, legal advisors to Commissioner Pai; and Commissioner O’Rielly, Courtney Reinhard and Erin McGrath, legal advisors to Commissioner O’Rielly. The purpose of the meetings was 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. Today, the United States stands alone in the world, with four nationwide facilities-based providers that are all deploying LTE and serving half the globe’s LTE customers. The wireless industry enables the world’s largest and most innovative wireless ecosystem, including device manufacturers, applications providers, and online service providers. The success of this ecosystem as a whole depends on a steady supply of spectrum.

In the context of the incentive auction, 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 in which the complex interplay between the “forward auction” (the wireless providers expressing their demand) and the “reverse auction” (the broadcasters expressing their willingness to exit) can be easily disrupted.<sup>1</sup> 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 restricted 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.<sup>2</sup>

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 what it has called a “huge swath” of 700 MHz A Block licenses that cover 70% of its customer base, including 9 of the 10 top markets, and may yet buy more on the secondary market.<sup>3</sup>

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<sup>1</sup> See, e.g., Leslie M. Marx, *Economic Analysis of Proposals that Would Restrict Participation in the Incentive Auction*, Sept. 18, 2013, ¶ 2 (“Marx Paper”).

<sup>2</sup> 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/>.

<sup>3</sup> Remarks of Neville Ray, T-Mobile CTO, T-Mobile US Inc. at Morgan Stanley Technology, Media & Telecom Conference (Mar. 5, 2014), at 3 (Morgan Stanley Tr.).

Ms. Marlene H. Dortch

April 30, 2014

Page 3

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.<sup>4</sup> 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 Pai  
Commissioner O'Rielly  
Matthew Berry  
Brendan Carr  
Courtney Reinhard  
Erin McGrath

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<sup>4</sup> For example, according to Sprint's CEO, Sprint “clearly ha[s] a strong spectrum position now with 120 megahertz of Clearwire spectrum in 90% of the top 100 markets.” Sprint's CEO Discusses Q3 2013 Results – Earnings Call Transcript, Oct. 30, 2013. Sprint just reported that it had expanded its 2.5 GHz service to 24 markets, including major cities as New York, Los Angeles, Philadelphia, Chicago, Dallas and Miami, is on track to cover 100 million pops with that service by year end, and now offers 14 devices that can use the 2.5 GHz spectrum. Sprint Quarterly Investor Update, April 29, 2014, at 3; Q1 2014 Sprint Nextel Corp. Earnings Conference Call, Transcript, April 29, 2014, at 4-5.