



Via Fax

October 29, 2013

The Honorable Mignon Clyburn
Federal Communications Commission
445 Twelfth Street S.W.
Washington, D.C. 20554

***RE: Expanding the Economic and Innovation Opportunities of
Spectrum through Incentive Auctions, GN Docket No. 12-268***

Dear Chairwoman Clyburn and Commissioners:

The Federal Communications Commission (FCC) now has the critical mission of designing rules for an upcoming auction of valuable public airwaves that will help speed the continued nationwide deployment of high-speed mobile broadband service.

The FCC faces a most important near-term challenge as it attempts to make more airwaves available – at auction – to advance the deployment of and investment in high-speed mobile wireless communications. Getting the design of the upcoming auction right is critical. As the Commission has long recognized, high-speed wired and wireless networks are essential to job creation, economic growth, and improvements in education, health care, public safety, civic participation, and closing the digital divide.

The Communications Workers of America (“CWA”) represents 700,000 workers, including more than 40,000 in the wireless industry, whose families and communities depend on the success or failure of unionized wireless carriers. As such, CWA urges the Commission to construct an open and competitive auction in which every carrier and any other qualified bidder can participate equally on a level playing field.

Because an open competition is the best way to serve the public interest, CWA supports an auction that:

- Provides for continued investment, innovation, and job creation in the wireless industry
- Efficiently allocates additional spectrum for consumer wireless to support the speedy deployment of LTE networks and the continued expansion of other services
- Maximizes auction proceeds and provides full funding for the planned public safety network, FirstNet

T-Mobile and Sprint are now asking the FCC to establish different rules for different bidders, potentially slowing the spread of wireless and the investment and jobs that go with it. Yet, past FCC experience demonstrates that open auctions, in which bidders compete without restrictions, have generated the most revenue and assigned spectrum to the providers who will put it to work quickly and efficiently for the American public. A recent economic analysis found that if spectrum limits had been put in place in the 2008 auction of 700 MHz spectrum it would have reduced auction revenue by 45 percent or almost \$9 billion.¹

As former Chairman Julius Genachowski has noted, such even-handed policies have created a wireless boom and enabled our country to recapture world leadership in wireless and mobile technology.² According to a recent White House report on broadband, wireless investment has climbed more than 40 percent to \$30 billion a year since 2009, and the top two wireless companies have combined to invest more than the top five oil companies and nearly four times more than the big three auto companies.³ As a whole, the wireless industry now supports 3.8 million jobs.⁴

The FCC should not favor one competitor over another. Each of the four national carriers have ample resources to bid aggressively for the spectrum they need without rules that tilt the playing field one way or the other. T-Mobile is strengthened by its recent combination with MetroPCS, the spectrum it acquired from AT&T and Verizon Wireless, and the \$3 billion cash penalty fee it received from AT&T. Sprint, now majority owned by the Japanese

¹ Dr. Leslie Marx, "Economic Analysis of Proposals that Would Restrict Participation in the Incentive Auctions," Sept. 18, 2003.

² [Julius Genachowski Farewell Remarks](#), March 22, 2013

³ ["Four Years of Broadband Growth,"](#) White House Office of Science and Technology Policy and the National Economic Council, June 2013

⁴ ["50 Wireless Quick Facts,"](#) CTIA, updated May 2013

firm Softbank, received billions of new funds as part of that deal and, in combination with its affiliate Clearwire, controls more spectrum than any competitor.⁵ These companies are strong competitors.

We also are concerned that rules that limit participation by any bidder would reduce auction revenues and jeopardize funding for deployment of the nation's public safety mobile broadband network (FirstNet). A recent independent study by Georgetown University found that bidding restrictions on Verizon and AT&T could reduce auction revenues by as much as \$12 billion and create a funding deficit for FirstNet.⁶ That result would make it harder and more dangerous for first responders to do their job and would expose the American people to needless risk.

A dedicated and interoperable nationwide broadband network will save lives by providing public safety personnel with the modern communication tools necessary to provide effective, speedy, and coordinated response in emergency situations. The network, first recommended a decade ago by the 9/11 Commission, is long overdue. Auction rules that limit funding should not be allowed to endanger first responders or the U.S. public they serve.

In addition to the revenue needed to fund the public safety network, the wireless auction must raise enough funds to pay broadcasters to give up their spectrum. Limitations on participation in the auction would reduce the funds available to pay the broadcasters. If not enough money is raised to meet the broadcasters' price, the spectrum goes unsold, and the auction fails.

Sprint and T-Mobile have suggested that the Commission should establish special rules for low-frequency spectrum, claiming that such spectrum is an essential input for wireless services due to its superior propagation. Because Sprint and T-Mobile failed to bid in the 700 MHz auction, and have chosen not to purchase low-frequency spectrum on the open market, they have little low-frequency spectrum. Yet, both companies are competing aggressively with national 4G LTE networks that rely almost entirely on high-frequency spectrum. As recently explained by noted economists, low- and high-frequency spectrum are substitutes and wireless carriers do not require low-frequency

⁵ "Sprint Set to Become 'Spectrum Powerhouse,'" Computerworld, June 25, 2013

⁶ "The Economic Implications of Restricting Spectrum Purchases in the Incentive Auction," Robert J. Shapiro, Douglas Holtz-Eakin, and Coleman Bazelton for the Georgetown University Center for Business & Public Policy, April 30, 2013

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spectrum in order to compete. Therefore, the Commission need not adopt special low-frequency spectrum aggregation rules.⁷

The U.S. Department of Justice (DOJ) has raised concerns that AT&T and Verizon might pursue a “foreclosure strategy” by purchasing and warehousing spectrum to keep it out of the hands of rivals.⁸ According to leading economists, such strategy is highly unlikely because it would require the acquisition of large amounts of expensive spectrum and depend on the ability of auction participants to “read the minds” of other auction bidders.⁹ But more important, there is a far simpler and more effective method to block any foreclosure strategy: **the FCC should impose build-out requirements, complete with timetables and benchmarks, on any spectrum acquired at auction.**

As President Obama recently noted, wireless communications and the digital economy have been a bright spot in the U.S. economy. Continued expansion of wireless services and the resulting consumer benefits they enable should not be placed at risk from the spectrum shortage identified by the Commission in its National Broadband Report. Done correctly, the coming incentive auction is a vital part of the solution. CWA respectfully urges the Commission to support continued growth in U.S. wireless capabilities and the jobs that will be created by designing an open and competitive auction in which every bidder can compete without handicaps for the spectrum it needs.

Sincerely,



Larry Cohen
President

Cc: Commissioner Jessica Rosenworcel
Commissioner Ajit Pai

⁷ Michael L. Katz, Philip A. Haile, Mark A. Israel, and Andres V. Lerner, “Comment on the Submission of the U.S. Department of Justice Regarding Auction Participation Restrictions,” WT Docket No. 12-269, June 13, 2013

⁸ U.S. Department of Justice, Ex parte Submission, In the Matter of Policies Regarding Mobile Spectrum Holdings, WT Docket No. 12-269, April 11, 2013.

⁹ Michael L. Katz, Philip A. Hail, Mark A. Israel, and Andres V. Lerner, Comment on the Submission of the U.S. Department of Justice Regarding Auction Participation Restrictions, Policies Regarding Mobile Spectrum Holdings, WT Docket No. 12-269, June 13, 2013.