Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Experimental Design for Examining	)	
Performance Properties of Simultaneous	)	DA No. 05-1267
Multiple Round Spectrum License Auctions	)	
With and Without Combinatorial Bidding	)	

REPLY COMMENTS OF LEAP WIRELESS INTERNATIONAL, INC.

Leap Wireless International, Inc., on behalf of itself and its affiliates and subsidiaries (collectively, "Leap"), hereby offers the following reply comments in the above-captioned proceeding.

Several parties have weighed in with thoughtful comments regarding ways in which the proposed combinatorial auction experiments can be improved as basis for gathering data that will aid the Commission in exploring possible changes to its current method of auctioning spectrum licenses. In response to these comments, Leap would make the following two points.

First, Leap agrees with many of the points made in the comments of Telephone and Data Systems, Inc. and United States Cellular Corporation ("TDS"). In particular, TDS, like Leap, has identified a number of potential problems for smaller bidders that could flow from the combinatorial bidding design proffered for the proposed experiments, including (i) the threshold problem, (ii) a higher likelihood that large bidders will include multiple licenses in nationwide or

super-regional package bids,[1] and (iii) added auction complexity.[2] Ensuring small bidder participation in FCC auctions is an express Congressional mandate that has been an important public interest component of the Commission's current SMR auction design,[3] and an objective that must be incorporated into any competitive bidding methodology that the Commission adopts, including a combinatorial bidding system.[4] To the extent that the proposed experiments will serve to gather important data for further exploration of a package bidding approach, the experiments should be modified as necessary to encompass and assess the impacts on smaller bidders.

Second, while Leap agrees with Verizon Wireless that the experiments should also be conducted with an eye towards reducing the anticipated duration of combinatorial bid auctions and gathering data on that subject,[5] the proposition that it is "clearly. . .time to move forward"[6] with such auctions on a wide-scale basis is overstated. Leap agrees with Verizon that the experiments should be conducted expeditiously (and modified as Leap has suggested), but the Commission must take one step at a time.

The Commission to date – properly in Leap's view – has taken a careful and measured approach in its consideration of package bidding mechanisms. The making of an experimental record here could further advance and inform that approach. But as TDS suggests, the value and utility of an experimental record as a basis for making fundamental changes to the

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1 The inclusion of additional markets in a large package makes it more difficult for regional bidders to compete effectively for markets that are not of primary interest to the large bidders. Bundling additional markets in a package allows large bidders to effectively make take-it-or-leave-it offers for a package.

2 TDS Comments at ii, 2.

3 *See, e.g.*, 47 U.S.C. § 309(j)(3)B)

4 47 U.S.C. § 309(j)(3).

5 Verizon Wireless Comments at 4.

6 *Id.* at 2.

Commission's SMR auction design is questionable.[7] At a minimum, the Commission will ultimately need to consider the experimental and theoretical evidence regarding further movement towards combinatorial bidding in conjunction with real-world implementation issues and other important legal and policy ramifications -- including the effects on smaller bidders. Whether the right balance can be achieved in a fashion that does not inherently bias a package bidding auction implementation in favor of large bidders, or that outweighs the relative benefits of the Commission's current SMR methodology remains to be seen.

Respectfully submitted,

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[7] *See* TDS Comments at 11 ("[A]n auction experiment could conceivably provide information weighing against some potential aspects of auction designs, such as excessively confusing or analytically intractable package bidding rules. However, it would be hazardous to draw any support from an auction experiment for potential auction rules.")