

FCC to vote on secret bidding in wireless sale

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By Jeremy Pelofsky

WASHINGTON (Reuters) - U.S. regulators plan to vote on Wednesday whether to keep secret some key bidding information during a June auction of valuable wireless airwaves to prevent bidders from colluding with each other, raising ire among many telecommunications companies and Wall Street.

The Federal Communications Commission (FCC) is slated to begin the auction of wireless licenses on June 29. The licenses, expected to command as much as \$15 billion, can be used by companies for advanced services like video or high-speed Internet access.

The FCC suggested keeping secret until the sale is over which licenses bidders want and who has made the highest bid for each license after some studies suggested this would stop bidders from colluding and signaling each other during an auction.

The FCC has not used anonymous bidding in about 12 years. The auctions are electronic and usually last several weeks.

Normally, after each round of an auction the FCC reveals the bidders' identity and the amount offered for each license.

In a February proposal, the FCC cited economists as saying that a potential drawback to disclosing information is that it could be used by bidders to signal each other or to retaliate against each other.

FCC commissioners are due to vote on the proposal at an open meeting on Wednesday, where they will also set rules on smaller bidders partnering with bigger carriers. Typically such rules are set by the FCC's wireless bureau.

Verizon Wireless, the No. 2 U.S. wireless carrier, and public interest groups support blind bidding while the largest U.S. provider, Cingular Wireless, other national carriers and investors oppose it.

Verizon Wireless is a joint venture of Verizon Communications and Vodafone Group Plc. Cingular Wireless is a joint venture of AT&T Inc. and BellSouth Corp.

Rudy Baca, a partner at the Rini Coran law firm who has followed FCC auctions, said collusion is not a major problem and keeping information secret could be challenging. He said the FCC tried this in the past with mixed success. "Enforcement is just too difficult," Baca said.

Reuters America LLC, a unit of Reuters Group Plc, filed formal comments with the FCC urging that the bidding data be released at the end of each auction round.

Some carriers opposed to blind bidding, like T-Mobile USA, have offered compromises such as providing results if competition thresholds are met or at random intervals. T-Mobile is a unit of Deutsche Telekom AG.

Private equity firms, which back many telecommunications companies, have warned they would be less willing to back bidders if data is withheld.

"In the absence of a solid basis for evaluation, financial investors will either withdraw or reduce the amount of their investments because they have been forced to factor in additional elements of uncertainty and risk," Madison Dearborn Partners LLC and TA Associates Inc. told the FCC in February.

Madison Dearborn managing partner Jim Perry met with FCC Chairman Kevin Martin on April 4 in Chicago and reiterated the company's preference for a "fully transparent auction process," the firm said in an FCC filing on Monday.

But a group of consumer advocates last week urged the FCC to approve anonymous bidding and limit partnerships between smaller entrepreneurial bidders and big wireless carriers.

"Companies use well understood bids and 'dummies' to buy licenses cheaply in the same way bridge players use bidding signals to 'bid' for 'game contracts' or 'preempt' the other team," said the group, which included the Media Access Project, Consumer Federation of America and the National Hispanic Media Coalition.

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