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AWS AUCTION STUDIES PROVE INCUMBENTS USED RULES TO BLOCK NEW ENTRANTS; RULES ALLOWED "SIGNALING" TACTICS

MAP RECOMMENDS CHANGES TO DETER MANIPULATION AND MAXIMIZE REVENUE

Media Access Project today released two studies by Dr. Gregory Rose analyzing the "advanced wireless services," or AWS-1, Auction conducted by the Federal Communications Commission (FCC) in August and September 2006. The Rose studies show that:

- Cable operators, AT&T Wireless, T-Mobile, and others deliberately and successfully blocked DIRECTV and EchoStar and other potentially "disruptive" new entrants from winning licenses.
- Some bidders used "signaling," particularly a practice called "retaliatory bidding," to divide licenses among themselves and reduce the price they paid for licenses. Bidders that used retaliatory bidding paid, on average, 41% less for their licenses than bidders that did not use retaliatory bidding.

Prior to the AWS Auction, the FCC had considered adopting "anonymous bidding" to prevent blocking or signaling. Although the Department of Justice, the Federal Trade Commission, and a coalition of public interest organizations supported anonymous bidding, the wireless industry fiercely resisted anonymous bidding, insisting that no danger of blocking or signaling existed and threatening not to participate if the FCC adopted anonymous bidding rules. Ultimately, the FCC adopted a compromise proposed by T-Mobile: if the FCC had an average of three bidders per license (a "modified eligibility ratio" of 3), the FCC would use "open" rather than "anonymous" bidding.

As Dr. Rose explains, the AWS auction had a significant number of bidders that did not bid, or bid only once. It is hard to escape the conclusion that incumbents "gamed" the rules to make sure that the FCC used open bidding rather than anonymous bidding.

Dr. Rose concludes that only adoption of anonymous bidding can solve the blocking and signaling problems.

"No half-measure or compromise can hope to address the blocking and signaling problems," said Dr. Rose. "The 700 MHz Auction is the last chance for the FCC to bring wireless broadband competition to all Americans."

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