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*For immediate release*

## **CONSUMERS TO FCC: WIRELESS LOOPHOLES COST AMERICANS \$10 BILLION, BLOCK COMPETITION, WIDEN DIGITAL DIVIDE.**

On Wednesday, April 5, a coalition of consumer groups, civil rights groups, citizens groups and spectrum reform advocates sent a letter to Chairman Martin asking him to adopt rules that close loopholes in the FCC's spectrum auction rules. According to the letter, FCC failure to adopt rules for "anonymous bidding" and that modify the "designated entity (DE) credit" may cost Americans more than \$10 Billion.

Harold Feld, Senior Vice President of the Media Access Project, a non-profit public interest law firm that filed the letter and represents National Hispanic Media Coalition in the auction rulemaking, said: "CEOs of major wireless companies have lobbied the FCC non-stop to ignore the evidence and do nothing. We call on Chairman Martin to stand up to the pressure and do what's best for the public."

In addition to the Media Access Project, the letter was signed by Common Cause, Consumer Federation of America, Consumers Union, Free Press, National Hispanic Media Coalition, New America Foundation, and US PIRG. The Department of Justice has also filed statements with the FCC supporting anonymous bidding and DE credit reform.

The FCC will vote at its open meeting on April 12, whether to change the rules for bidding on wireless "spec-trum" licenses in the "Advanced Wireless Service" (AWS) auction this summer. The FCC will consider using "anonymous" bidding -- where parties do not know the identity of other bidders -- rather than the current "open bidding." The Department of Justice and others support anonymous bidding because open bidding allows wireless companies to use "bidding signals" to keep license bids low and to work together to keep out competitors. Open bidding also lets companies punish bidders that refuse to play by the unwritten "rules" set by the incumbents. Anonymous bidding prevents this "tacit collusion."

The other rule change prevents large wireless carriers from partnering with small businesses under the FCC's "designated entity" ("DE") rules. Small businesses eligible for the DE credit receive a 25% credit against their bid. Large wireless carriers have increasingly partnered with DEs, allowing them to receive 25% discounts and outbid competitors.

Based on studies done on the European "3G" auctions, Feld estimated that between tacit collusion and "sham" DEs, the FCC could expect to lose \$10 Billion or more from the \$25 Billion experts predict the AWS auction may make. In addition, consumers will lose the benefit that would come from entry of new competitors.

"Right now, companies use the auctions to keep out real competitors," said Mark Cooper, Research Director of the Consumer Federation of America. Cooper explained that companies can signal through their bids the same way that bridge players use bidding to tell their partners about their hand or to get in the way of the

other team. “The FCC needs to shut down the ‘billion dollar spectrum bridge game’ the incumbents have rigged against their competitors.”

Michael Calabrese, Vice President of the new America Foundation, a non-partisan think-tank active on spectrum reform, added, “Exclusive use of the public airwaves is a public asset, and the American people deserve a fair return.”

For Alex Nogales, President of the National Hispanic Media Coalition, it’s about basic fairness and digital inclusion. “The FCC initially created the designated entity credit to help minority-owned businesses participate in America’s wireless future, and bring the benefits of digital wireless technology to communities the big companies don’t want to serve. For these companies to use this credit to keep out rivals and pay less for licenses, while giving nothing in return to the communities Congress and the FCC intended to help, is simply not right.” Nogales observed that access to digital wireless and access to broadband continued to lag behind in Latino communities, denying them needed tools for education and economic advancement.

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## **CONTACTS**

Harold Feld, Senior Vice President, Media Access Project: (202) 454-5684

Mark Cooper, Director of Research, Consumer Federation of America: (301) 384-2204

Alex Nogales, President, National Hispanic Media Coalition: (213) 842-1176

Michael Calabrese, Vice President, New America Foundation: (202) 986-2700