



September 15, 2017

BY ELECTRONIC FILING

Hon. Chairman Ajit Pai
Hon. Commissioner Mignon Clyburn
Hon. Commissioner Michael O' Rielly
Hon. Commissioner Brendan Carr
Hon. Commissioner Jessica Rosenworcel
Federal Communications Commission
445 12th St, S.W.
Washington, D.C. 20554

Re: EX PARTE LETTER: AU Docket No. 17-182; WC Docket No. 10-90

Dear Chairman Pai and Commissioners Clyburn, O'Rielly, Carr and Rosenworcel:

The undersigned associations represent more than 1,000 smaller, experienced broadband providers, many of whom serve rural communities and thus are well-positioned to serve areas eligible for support through next year's Connect America ("CAF") Phase II reverse auction – the first such federal auction to award funding to support fixed broadband deployment in unserved areas. Our associations represent members who may compete in the market, but we all share the Commission's view, as stated in the *Public Notice*,¹ that this auction should award support as efficiently as possible, thereby maximizing the value of scarce universal service funding.²

While each of the associations plans to submit its own comments next week in response to the *Public Notice*, we want to emphasize our collective view that the auction design and associated proposals in the *Public Notice*, especially when taken in aggregate, are so inordinately complex that they will deter many potential bidders from participating. While these complex mechanisms³ may be intended to promote efficient auction outcomes among bidders, this

¹ See *Public Notice*, "Comment Sought on Competitive Bidding Procedures and Certain Program Requirements for the Connect America Fund Phase II Auction (Auction 903)," AU Docket No. 17-182 & WC Docket No. 10-90 (rel. Aug. 4, 2017) ("*Public Notice*").

² While we appreciate the Commission's previous efforts to adopt rules that facilitate participation by smaller broadband providers that may not have relationships with Top-100 banks or audited financial statements, we fear that these will be for naught if certain of the proposals in the *Public Notice* are adopted.

³ From the ability to change performance tiers during the auction to package bidding and self-selection from 36,000 geographic areas, and from the use of intra-round bidding structures and intermediate price points to the vast mix of geographies involved in this national auction, bidders will be compelled to monitor, evaluate, process, and then re-evaluate and re-process hundreds or thousands of discrete data points in rapid fashion.

intended benefit will be substantially undercut by diminished participation, especially from smaller providers. This will leave only the nation's largest eligible providers to divide up the funds. Moreover, with fewer auction participants, bids will be won at higher than optimal prices, and fewer consumers will reap the benefits intended by the CAF Phase II program. The complexity of the proposed auction design and procedures neither serves the public interest nor is necessary to achieve the Commission's aim to award support efficiently. We therefore urge the Commission to design an auction and adopt procedures that can stimulate the robust participation, especially by smaller entities, the Commission seeks.

In addition to making the auction less complex, the Commission should provide smaller entities with greater opportunities to use auction experts to help them participate in the auction. By providing more flexibility for bidders to share the costs of a single expert -- subject to firewalls and other protective measures -- the Commission will encourage greater participation by smaller entities and allow them to compete against larger providers on a more level playing field. For this reason, we encourage the Commission to adopt a flexible interpretation of its anti-collusion rules.

The associations recognize that many of the processes and requirements contemplated here are based upon provisions previously adopted in the spectrum auction context and that familiarity with those processes may provide some confidence and comfort in administration. But with varying markets and nationwide competition for bids, the CAF Phase II auction portends a unique complexity unlike any auction that has come before. This complexity is compounded by the fact that most providers have never before participated in a Commission administered auction. In this distinct context, and for all the other reasons outlined above, the Commission needs to take substantial steps to simplify the auction design and procedures.

We thank you for your attention to this correspondence. This *ex parte* notification is being filed electronically pursuant to Section 1.1206 of the Commission's Rules.

Sincerely,

/s/ Ross Lieberman

Ross Lieberman
Senior Vice President
American Cable Association

/s/ Stephen Coran

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/s/ Michael Romano

Michael Romano
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