

**STATEMENT OF**  
**COMMISSIONER MICHAEL J. COPPS**

*RE: Implementation of the Commercial Spectrum Enhancement Act and Modernization of the Commission's Competitive Bidding Rules and Procedures (Further Notice of Proposed Rulemaking, WT Docket No. 05-211).*

Today, we initiate an examination of a troubling loophole in the designated entity program. The DE program was intended to create opportunities for smaller carriers to obtain the spectrum resources needed to bring new services to consumers – and has proven to be particularly useful for rural areas. In the upcoming AWS auction, carriers that qualify as small companies under the DE program can receive up to a 25 percent auction discount. We need to act quickly to close any loopholes to ensure that American taxpayers do not lose millions of dollars in AWS auction revenues.

I strongly support the DE program. It helps foster new competition and promote entry by small businesses – which is all the more critical in this era of increasing market consolidation. Because of the importance of the DE program, we must vigilantly guard against its misuse. In recent auctions, some entities have put themselves forward as small companies in order to qualify for auction discounts. They do this having already entered into agreements to lease the spectrum rights they win to industry giants that do not qualify for a discount themselves. This loophole could result in millions of dollars less in auction revenues without serving the underlying purposes of the DE program. We tentatively conclude today that we should close this loophole to ensure the integrity of the program.

I have said before that I am committed to sticking to our schedule for the AWS auction. When we revised the band plan for the AWS spectrum last August, I called for the examination we initiate today. I am pleased that we now signal our intention to complete this examination in advance of the AWS auction. The AWS auction will be one of our largest in years. We need not delay this auction – which holds great promise for bringing new wireless services to American consumers. At the same time we must protect taxpayer money. It is our obligation to achieve both of these objectives – which we still can do if we move quickly.