

**STATEMENT OF
COMMISSIONER AJIT PAI**

Re: *Request for Further Comment on Issues Related to Competitive Bidding Proceeding; Updating Part 1 Competitive Bidding Rules*, WT Docket No. 14-170, GN Docket No. 12-268, RM-11395, WT Docket No. 05-211.

The AWS-3 auction taught us some important lessons. One of them is that our small business, or “designated entity” (DE), program has become a playpen for corporate giants. Indeed, allowing a company like DISH—with annual revenues of approximately \$14 billion and a market capitalization of over \$32 billion—to benefit from over \$3 billion in taxpayer-funded discounts on AWS-3 spectrum makes a mockery of this small-business program.¹ And DISH was not alone.

Abuse of the DE program has robbed actual small businesses of the spectrum they need to serve their local communities.² Small, rural operators from Missouri to North Carolina recently explained that the DE program is having a “devastating impact” on their ability to obtain spectrum and compete.³ Think about that. This taxpayer-funded program is now being used by Fortune 500 companies to disadvantage the very small companies it was intended to help. This must end.

The results of the AWS-3 auction have spurred a broad-based consensus against this anticompetitive arbitrage.⁴ And this Public Notice tees up a wide range of proposals that, if adopted, would end this corporate welfare. I want to thank my colleagues for accommodating my request that we put all options on the table, including strictly limiting how much large companies can invest in a designated entity, capping the taxpayer subsidy that any designated entity can obtain during an auction, prohibiting coordinated bidding, and fundamentally revising our attribution rules.

If we are going to heed the lessons of the AWS-3 auction, the work cannot end with this Public Notice. I look forward to working with my fellow Commissioners and Congress to ensure that we implement fundamental reforms to the program. We must have a singular focus in this proceeding: We must close any loopholes that could allow big business to rip off the American taxpayer, not create new

¹ See Statement of Commissioner Ajit Pai on Abuse of the Designated Entity Program (Feb. 2, 2015), <http://go.usa.gov/h4ER>.

² See, e.g., Statement of Commissioner Ajit Pai on How Abuse of the FCC’s Small Business Program Hurts Small Businesses (Mar. 16, 2015) (discussing examples of the negative impact that abuse of the small business program has had on actual small businesses), <http://go.usa.gov/3CZ8P>.

³ See Letter from Donald L. Herman, Jr., on behalf of RSA 1 Limited Partnership d/b/a Chat Mobility, Horry Telephone Cooperative, Inc., Paul Bunyan Rural Telephone Cooperative and Piedmont Rural Telephone Cooperative Inc., Atlantic Seawinds Communications, LLC, Chester Telephone Company, FTC Management Group, Grand River Communications, Inc., MobiNet, LLC, Palmetto Rural Telephone Cooperative, Inc., Texas RSA 7B3, L.P. d/b/a Peoples Wireless Services, and Sandhill Communications, LLC, to Marlene H. Dortch, Secretary, FCC (Mar. 25, 2015), <http://go.usa.gov/3WRJm>.

⁴ See, e.g., Senator Kelly Ayotte and FCC Commissioner Ajit Pai, Ending Welfare for Telecom Giants, *The Wall Street Journal* (Feb. 4, 2015), <http://on.wsj.com/1DAYt5f>; Letter from Senator Claire McCaskill, to Hon. Tom Wheeler, Chairman, FCC, (Feb. 26, 2015), <http://go.usa.gov/3CTp5>; Letter from Representative Frank Pallone, Jr., to Hon. Tom Wheeler, Chairman, FCC (Feb. 19, 2015), <http://go.usa.gov/3CTpj>; Letter from Larry Cohen, President, Communications Workers of America, and Hilary O. Shelton, Director, NAACP Washington Bureau, to Hon. Tom Wheeler, Chairman, FCC, (Mar. 12, 2015), <http://go.usa.gov/3CTpx>; Americans for Tax Reform, Center for Individual Freedom, National Taxpayers Union, & Taxpayers Protection Alliance Comments at 4, 5 (Feb. 20, 2015), <http://go.usa.gov/3CTVe>; Citizens Against Government Waste Comments (Feb. 20, 2015), <http://go.usa.gov/3CbmG>.

avenues for abuse, as the FCC proposed last year over my dissent.⁵

Moreover, it remains imperative that we closely scrutinize whether participants in the AWS-3 auction complied with our rules. Serious questions have been raised on this score, and my position is simple. Any entity that violated the Commission's DE regulations must not be allowed to receive taxpayer-funded discounts.

⁵ See *Updating Part 1 Competitive Bidding Rules et al.*, WT Docket No. 14-170 *et al.*, Notice of Proposed Rulemaking, 29 FCC Rcd 12426, 12510-17 (2014) (Statement of Commissioner Ajit Pai Concurring in Part and Dissenting in Part), <http://go.usa.gov/wVvA>.