If Dish Wins the H Block Auction, What’s Next?

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The FCC’s first spectrum auction in more than five years starts Jan. 22. And Dish Network appears to be the frontrunner [1] for the 10 MHz of paired H Block licenses (1915-1920 MHz and 1995-2000 MHz bands) up for grabs.

Dish essentially forced itself into a situation where it must bid at least the $1.56 billion reserve price for the airwaves.

“There was a very artistically crafted agreement between Dish, AT&T and the FCC,” said Roger Entner, lead analyst and founder of Recon Analytics.

Entner said that Dish wanted to reconfigure its DSS spectrum for either downlink or uplink and in order to get that, the company agreed to the minimum bid in the H Block and to lowering power in the 700 MHz E Block to prevent interference. In exchange for the lowered 700 MHz E Block interference, AT&T agreed to 700 MHz interoperability for the A Block. For its leniency, the FCC got A Block interoperability and a solid bidder for its H Block auction.

Smaller regional carriers like nTelos and C Spire are in the running to snatch up some of the H Block licenses, but large competitors like Sprint and T-Mobile have sworn off participating in the auction. Dish could very well walk away with the most licenses. A win for Dish would put more spectrum in the hands of a business without

“[Dish is] obviously gearing up for some sort of wireless play,” said Susan Welsh de Grimaldo, director of mobile broadband opportunities at Strategy Analytics. “I don’t think this gives them enough spectrum that they’ll stop at that. I think they’ll certainly be looking for something else.”

De Grimaldo said Dish’s partnership with Sprint for a fixed mobile broadband trial [2] is interesting and could potentially give Sprint a rooftop play, providing something like a small-cell solution in suburban and rural areas where it needs more network buildout. And providing an in-home TV or broadband service option could be of great interest to Sprint in competing against both Verizon and AT&T that are established in the space. But ultimately, she said, getting the H Block spectrum won’t impact a Dish move toward enhancing its home play.

an apparent idea of what to do with it. So what’s the endgame for Dish?
With the deployment timeline the FCC placed on its spectrum holdings, Dish has “use it or lose it” motivation in place to launch a mobile network. De Grimaldo said it obviously takes a long time to build a national wireless network, let alone become a strong competitor in the wireless industry.

“[Dish is] an interesting player to keep an eye on but trying to guess where they’re

going is a bit tough," De Grimaldo said.

With the uncertainty of what Dish will do with its spectrum, it could raise some doubt about the spectrum crunch argument if the company is able to claim most of the H Block licenses in the upcoming auction. If spectrum is so scarce, why allow Dish to acquire and sit on it? Why aren't the big carriers jumping in?

The spectrum crunch argument holds up against Dish getting more spectrum, said Ken Rehbehn, principal analyst at Yankee Group. He explained that today the market, with functions like pricing tiers and data caps, controls how much of that limited resource is used and that the spectrum crunch argument looks more in the longterm.

"The H Block is not a huge swath of spectrum, in terms of a meaningful relief," Rehbehn said in regards to capacity strains on networks. "It's not a gamechanger."

Rehbehn said the real issue Dish is facing is competing meaningfully with the established carriers and that suggests Dish could lean more toward partnering with one of them. The question will be, to what extent are their holdings sufficiently valuable to induce one of the other companies to enter into a partnership.

Entner said that with a win in the H Block auction and another boost to its spectrum portfolio, Dish looks less like a fly in the ointment and more like a valuable ally.

"The more spectrum [Dish has], the less important is Charlie Ergen's personality," Entner said, adding the only major U.S. wireless carrier Ergen hasn't crossed yet is T-Mobile.

Dish may not be done disrupting yet, as the company has promised to jump in on bidding for T-Mobile should Sprint/SoftBank make overtures toward buying Deutsche Telekom's majority stake.

But before any T-Mobile bidding war materializes, Dish has a spectrum auction to focus on and right now the path looks clear. Whether that extra spectrum facilitates a solo foray into wireless, a partnership with an established wireless player or just revenue from selling it off, it seems reasonable that Dish is making a smart move by going for the win.

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