Hearings Highlight Complexity of Incentive Auctions

Andrew Berg

The U.S. Senate Committee on Commerce, Science, and Transportation Tuesday heard testimony from a number of entities on just how exactly the FCC should go about auctioning off 600 MHz spectrum in the upcoming incentive auctions.

Nearly all of those testifying agreed that newly appointed FCC Chairman Tom Wheeler had done the right thing last week when he and the commission acted to move the auction out to 2015.

Interested parties are many when it comes to the auctioning off of the 600 MHz spectrum, which is known to be incredibly valuable for its propagation characteristics. Broadcasters that currently hold the spectrum want to ensure they get fair value for the airwaves, while the carriers, big and small, are trying to ensure fairness in the auction process.

Preston Padden, executive director of Expanding Opportunities for the Broadcasters Coalition, said his organization wants nothing more than to ensure that broadcasters get what their holdings are worth. To that end, he says the FCC has not done enough to inform broadcasters going into the auctions.

"Unless enough broadcasters come forward, there's not going to be enough spectrum to divide up," Padden said, noting that the FCC has not given broadcasters enough information on just exactly what they'll get for their spectrum, nor have they been notified when exactly it will need to be vacated.

"The statute calls for an auction, and the question stands at where should the auctioneer begin," Padden said. Padden also touched on what carrier representatives were on hand discuss, which is just how to ensure that larger carriers like AT&T and Verizon Wireless don't walk away with all the spectrum. Padden suggested that T-Mobile and Sprint are lobbying for bidding restrictions because they want to get the spectrum for less than they would have to if bidding against AT&T and Verizon Wireless.

Steve Berry, President and CEO of the Competitive Carriers Association (CCA), which represents T-Mobile, Sprint, as well as a number of regional carriers, said that for CCA members to walk away without any of the auction spectrum would "disastrous."

Berry said that he was encouraged by comments made by AT&T CEO Randall Stephenson at an investment conference earlier Tuesday. Stephenson said he supports aggregation limits around the valuable 600 MHz spectrum.

Berry refuted the idea that the CCA was looking to force AT&T and Verizon from the incentive auctions altogether.

"We're not suggesting that ATY&T and Verizon not bid," Berry said, noting that Verizon and AT&T would make great partners in driving economies of scale for devices that will operate on the spectrum, among other reasons. "We have never said that we don't want them to bid. I just don't want them to be able to walk away with the entire pie."

Joan Marsh, vice president of federal regulatory for AT&T, presented AT&T's position on the auctions, which do impose restrictions on aggregation of the spectrum at issue. However, she also revealed the hitch for Berry and company. Marsh said any restrictions would need to be applied to all bidders "in a fair and neutral way."

Berry and members of the CCA laid out their position on the auction in a letter to the FCC back in November, arguing that AT&T and Verizon already own nearly 80 percent of the low-band spectrum available for commercial broadband use.

"They have economic incentives to acquire the remaining low-band spectrum in the 600 MHz band to stop our companies – their competitors – from offering truly sustainable, competitive wireless broadband service across America," the letter stated.

In a blog post from yesterday, Marsh refutes CCA's assertions that AT&T was “handed” its 850 MHz allocations (http://www.attpublicpolicy.com/fcc/facts-about-low-band-spectrum-holdings/) “free of charge”. Marsh goes on to argue that many of the CCA members arguing they don't have enough low-band spectrum have acquired plenty to suit their needs, or they have sold it off to larger carriers like AT&T.

"To be clear, I am not critical of any licensee’s business decision to sell its licenses, a decision they have every right to make...I do, however, object to claims by CCA that its members have been “denied access” to low band spectrum when in fact many of its members acquired low band spectrum at auction and subsequently made the decision to sell it," Marsh wrote.

Tuesday’s hearings were just the beginning of what will be a lengthy discussion around just how to conduct what Randall Stephenson today called “possibly the most complex” spectrum auction he’s ever seen.

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