T-Mobile: FirstNet Will Be Funded Before Incentive Auctions

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T-Mobile sees the FCC hitting its funding goal for FirstNet before the big 600 MHz Broadcast Incentive auctions even take place.

Adding up estimated proceeds from the FCC's upcoming H Block, AWS-3 and 1695 Band auctions, T-Mobile predicts the Commission will see proceeds of $8.9 to $16.4 billion. In an ex parte filing posted Thursday [1], the carrier estimates $1.6 to $2.3 billion from the H Block auction and $6.3 to $9.4 billion from the AWS-3 auction. From the 1695 Band auction, the carrier predicted less than $1 billion if the spectrum is unpaired and $2.3 to $4.7 billion if the spectrum is paired.

Ken Rehbehn, principal analyst with Yankee Group, said there's also $20.4B that has to go towards deficit reduction and the compensation for broadcasters displaced or repacked by the 600 MHz auction in addition to FirstNet funding.

"FirstNet is a small portion of the funds sought. FirstNet is special because it gets a loan in advance of the auction," Rehbehn said.

Trey Hanbury, legal counsel to T-Mobile, said that $2 billion of FirstNet funding had been loaned so far. Cost estimates for FirstNet, a nationwide wireless network for use by first responders and law enforcement officials, is around $7 billion. Hanbury said that full amount should be taken care of before the 600 MHz auction.

"We think that the bucket, based on our analysis, will already have been filled and it won't even be relevant," Hanbury said.

Hanbury said that T-Mobile's estimated proceeds for the auctions preceding the 600 MHz are consistent with the carrier's internal business understanding and also with external analyst reports.

Kathleen Ham, vice president of federal regulatory at T-Mobile, clarified that the auction revenues will first go toward paying broadcasters, then toward public safety and finally any residual will go toward deficit reduction.

Ham said that one of the arguments T-Mobile's competitors are making is that if you place any limits in the auction, limits that are pro-competitive, then it will restrain bidding and there won't be sufficient funds raised for FirstNet.

"We wanted to put on the record a very clear, simple example of how, just using reasonable market estimates based on real-life secondary market transactions, that that's just not going to be the case," Ham said. "Indeed, there's a high likelihood that the $7 billion for FirstNet will be met well before the incentive auction."

The 600 MHz auction was originally planned for mid-2014 but FCC Chairman Tom Wheeler pushed back the approximate date to mid-2015 [2] to allow for more time setting up the auction system and for establishing rules.

The H Block auction, the FCC's first major spectrum auction in more than five years, is scheduled for Jan. 22. Dish Network is widely considered the frontrunner in that auction. The satellite TV provider has agreed to pay at least the $1.56 billion reserve price for the spectrum.

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