

FCC should create a 40 MHz reserve for 600 MHz auction, public interest groups urge

Fierce Wireless By Phil Goldstein

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A coalition of public interest groups urged the FCC to adopt a spectrum reserve of at least 40 MHz for the 600 MHz incentive auction, one of several rule changes they are suggesting aimed at helping smaller carriers acquire spectrum. In a letter to FCC Chairman Tom Wheeler and his fellow commissioners, the groups said that the AWS-3 auction strengthened the position of AT&T ([NYSE: T](#)) and Verizon Wireless ([NYSE: VZ](#)) and that, now, smaller carriers need a leg up to compete. The groups also want the FCC to move quickly to free up the 3.5 GHz band for mobile broadband.

The groups noted that the AWS-3 auction, which did not have any bidding restrictions, resulted in AT&T and Verizon securing 20 MHz of paired AWS-3 spectrum in most major markets, "and left the rest of the industry with only a smattering of paired blocks and 15 MHz of low-value, unpaired, uplink spectrum." AT&T spent \$18.2 billion for AWS-3 licenses it says cover 96 percent of the U.S. population. Verizon spent \$10.4 billion for 181 AWS-3 licenses in markets covering 192 million POPs, or 61 percent of the United States. Dish Network's ([NASDAQ: DISH](#)) bidding entities paid \$13.3 billion for 702 licenses, winning 25 MHz of total spectrum including 13 MHz of paired spectrum.

"Dish, the one other bidder to acquire substantial new spectrum, is not a mobile broadband provider," the groups wrote. "Excluding Dish, the two dominant carriers acquired more than 90 percent of the AWS-3 spectrum, virtually shutting out competitive carriers."

T-Mobile US ([NYSE:TMUS](#)) paid \$1.77 billion for 151 licenses in the AWS-3 auction to fill out its mid-band spectrum portfolio. The rest of the auction's bidders produced net total bids of \$941 million.

The groups writing to the FCC included the Open Technology Institute at the New America Foundation, Public Knowledge, National Hispanic Media Coalition, Engine, Center for Media Justice, Common Cause, the Writers Guild of America - West, the Institute for Local Self Reliance and the Benton Foundation.

In their letter, the groups wrote that without more "meaningful protections against spectrum concentration than the FCC has adopted so far," AT&T and Verizon can use future auctions "to prevent other carriers from gaining access to the spectrum necessary to compete."

"The upcoming 600 MHz incentive auction provides what may be the FCC's final opportunity to prevent the two dominant carriers from monopolizing the low-band spectrum needed to compete in a broadband data world," they wrote. "Because AT&T and Verizon already control nearly three-quarters of the nation's uniquely valuable low-band spectrum, only a spectrum reserve of 40 MHz or more can prevent the two dominant carriers from using the 600 MHz auction to extinguish the handful of wireless broadband competitors that continue to offer consumers an alternative for wireless voice and data services."

In May, the FCC approved tentative 600 MHz auction rules designed to prevent Verizon and AT&T from acquiring all the available spectrum up for grabs. The current rules reserve up to 30 MHz of spectrum for smaller carriers like T-Mobile that hold less than 45 MHz of low-band spectrum to bid on. T-Mobile and smaller carriers have been clamoring for months to increase the size of the reserve to at least half of the spectrum that is available in a given market. However, the incentive auction relies on getting broadcasters to relinquish their spectrum, and some fear that if too much of the spectrum is reserved and Verizon and AT&T are kept from bidding, broadcasters will shy away from giving up their spectrum because they might receive less money.

"It is difficult to see how the non-dominant carriers can effectively compete in a 4G marketplace without sufficient access to low-band spectrum that enables in-building penetration and economic wide-area coverage," the groups added. "The Commission has more than satisfied its obligation to finance FirstNet and should now focus on its obligation to design its auction policy to promote competition and the public interest, irrespective of total auction revenue."

The groups also noted that outside of the incentive auction, "there is very little additional low- and mid-band spectrum that can be reallocated for auction any time soon."

"This makes the Commission's immediate adoption of its proposed three-tier, small-cell approach to shared use of the federal 3.5 GHz band as important as any auction," they added. "Extending this approach to dynamic spectrum sharing and more open, unlicensed access to

other underutilized bands is the best long-term path to promote spectrum abundance and thereby ubiquitous connectivity at affordable prices."

The FCC has proposed to create a specialized band in the 3.5 GHz band, using a complicated three-tiered access and spectrum-sharing model that would be comprised of federal and non-federal users. The FCC might finalize rules for the band in the next several months.

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