

FCC chairman cites indoor 911 as a reason for proposed limitation on incentive-auction bidders

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[FCC](#) commissioners yesterday voted 3-2 to approve rules that could let wireless operators like Sprint, T-Mobile and others bid on certain spectrum in the 600 MHz band in next year's incentive auction of TV broadcast airwaves without being challenged by Verizon and AT&T—a measure designed to enhance wireless competition and improve indoor 911 service from other carriers, according to FCC Chairman Tom Wheeler.

In the incentive auction, UHF TV broadcasters will have the opportunity to make their valued 600 MHz spectrum available to commercial wireless providers in return for a portion of proceeds generated from the bids. Under the new spectrum-holding policies approved yesterday, carriers with licenses to 45 MHz or more spectrum in the sub-1 GHz frequencies—effectively, AT&T and Verizon—would be prohibited from bidding on reserve airwaves offered if the incentive auction meets certain financial thresholds.

AT&T and Verizon dominated the 700 MHz auction conducted in 2008—Sprint and T-Mobile declined to participate—and have used those airwaves as the spectral foundation for their nationwide [LTE](#) networks. The spectrum-aggregation rules in yesterday's order are designed to ensure that “no one or two providers can ‘run the table’” during the upcoming incentive auction, according to an FCC press release.

Congress earmarked the proceeds from the incentive auction for several purposes, including the funding of [FirstNet](#) and some [next-generation 911](#) initiatives. Republican FCC Commissioners Ajit Pai and Michael O’Rielly cast the dissenting votes, noting that all carriers should be allowed to bid on all available spectrum in the incentive auction without restriction to ensure that the maximum amount of revenue is generated.

But Wheeler said that Congress also called for the FCC to promote wireless competition via the incentive auction.

“The characteristics of 600 MHz are different from higher-band spectrum,” Wheeler said during the FCC meeting, which was webcast. “That means that the signal travels farther and penetrates buildings through walls better. Thus, if there’s to be effective competition in rural America, then wireless carriers must have access to 600 MHz.

“The alternative is to have to spend sometimes up to four times as much as otherwise would be necessary to build on high-band [spectrum]. That’s why, when you look at coverage maps, there are so many white spaces in rural areas for those [carriers] who don’t have low-band spectrum. So, I want to make sure that there is competition—to fulfill a mandate from Congress—in rural areas.

“Likewise, public safety in urban areas demands that you be able to make a 911 call from inside a building. You don’t want to be the person, unbeknownst to you, [who] has a subscription with a firm that doesn’t have spectrum that will penetrate those walls as well. Thus, what this rule does is prevent those with current low-band spectrum from monopolizing the market in the auction by assuring that some spectrum will be available for those with insufficient amounts of spectrum to serve rural areas and to penetrate buildings.”

Pai said that the order limiting the bidding options for AT&T and Verizon “endangers the success of the broadcast incentive auction” on several levels, noting that winning bids need to total \$27.95 billion to meet the funding goals set by Congress.

“The [FCC](#) should not limit competitors to compete ... The government should not pick winners and losers,” Pai said during the meeting. “The inevitable effect of a policy that restricts participation is less spectrum repurposed for mobile broadband, less funding for national priorities, a higher budget deficit and an increased chance of a failed incentive auction.”

O’Rielly said that the apparent preferential treatment in the order for certain carriers—presumed to be Sprint and T-Mobile, although he did not name them—is misplaced, because they are large global players backed by foreign investors and declined to even bid on the 700 MHz spectrum when it was auctioned.

“What some call correcting a historical accident, I call corporate welfare for certain multinational companies with large market capitalization and access to global capital markets. In some cases,

the companies also have strong backing from foreign governments,” O’Rielly said.

In a press conference conducted after the FCC meeting, Wheeler expressed confidence that the incentive auction would meet its financial goals, noting that AT&T indicated in recent communications with the agency that it would bid between \$9 billion to \$18 billion in the spectrum auction.

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