

FirstNet shares more business-case information during Industry Day event

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Partnering with [FirstNet](#) is a way for wireless providers to gain access to valuable spectrum assets in less time and with less upfront costs than traditional methods, such as bidding in [FCC](#) auctions, FirstNet officials told industry representatives yesterday during FirstNet's second Industry Day.

New FirstNet CEO Mike Poth described the FirstNet initiative as “a great opportunity” for potential bidders, or offerers, to “not only to be on the cutting edge and make a difference in public-safety communications, but also, the reality is that this is a great business deal.”

Poth, who was named as FirstNet CEO last week, spent most of the last two decades working as an executive at Hewlett Packard and Northrop Grumman and said he understands what potential offerers need to know.

“I understand, coming from the world in which you live, that you have to make a profit,” Poth said. “I’m shooting for a reasonable profit on your side, quite frankly, but I understand that this is a good business venture for you.”

But industry should recognize that the process associated with selecting partners to deploy an unprecedented nationwide public-safety broadband network with FirstNet will be different than a typical request for proposal (RFP) bid, Poth said.

“We’re looking for honest, direct, continued feedback—that’s how we’re going to make the best feedback,” Poth said. “It’s not lip service; we are truly looking for that partnership. That’s the only way it’s going to be successful.

“This is a procurement unlike many that any of us have participated in. I know that some of the

war rooms throughout the country are struggling, and the capture managers are saying, ‘Just give the requirements. I’ll shred that RFP every which way but loose, and I’ll come back with a solution that meets all of those requirements.’ We are looking for your innovation, your creativity and different solutions and approach to solve those [public-safety objectives] objectives and to solve this problem.”

FirstNet President TJ Kennedy echoed this sentiment.

“It’s not a typical federal acquisition,” Kennedy said. “We’re not listing 10,000 specifications and just saying, ‘Bid on it.’ We’re actually asking folks to look at the different value blocks, look at the objectives, and come forward with those innovative ways to do that.”

Key value blocks in the FirstNet business model are \$6.5 billion in federal funding allocated by Congress, public-safety user fees and the ability for partners to monetize the valuable 20 MHz of FirstNet’s prime 700 MHz spectrum when it is not being used by first responders.

Kennedy acknowledged that offerers have other options to gain access to spectrum—indeed, the FCC is scheduled to conduct its incentive auction of 600 MHz airwaves next spring—but some unique characteristics of the FirstNet initiative may make the most business sense to wireless players.

In particular, the FirstNet spectrum should be cleared of its few incumbents—some public-safety narrowband LMR systems that were established before the FCC altered the band plan several years ago—by the time the FirstNet award is made, so it can be used “from Day 1,” Kennedy said. This is a stark contrast to spending billions of dollars to win nationwide spectrum at an FCC auction and waiting years for incumbent users to vacate the airwaves for use, he said.

In addition, acquiring access to spectrum at auction requires a massive upfront payment; under the [FirstNet](#) model, the partner would pay FirstNet a fixed amount of money in payments spread across several years, Kennedy said.

“I believe the timing to be able to leverage the spectrum is something that’s very positive about

the FirstNet opportunity,” Kennedy said.

“Also, the amount of cash that is laid out up front—versus over time—is a very drastically different curve. From my business perspective and looking at this, I think this is a critical part of how we look at the opportunity and the amount of money that is borrowed versus what needs to be plowed into the network going forward.”

As a result, Kennedy said that he believes it will take much less time for potential offerers to reach the “break-even” point with FirstNet than under the traditional auction model.

“The opportunity to get to a successful business quickly I think is something that is very prevalent in the FirstNet model,” he said. “I think it is something that is better than some of the other options for those that are looking at spectrum usage today. And, I think it’s really important when you’re looking at valuing the FirstNet opportunity ... I think the FirstNet opportunity is something that is quite attractive to industry, and I think everyone should be comparing some of the cost of doing that and the cost of doing it in other ways.

“At the end of the day, all that matters is that public safety gets the network that they need and we meet the public-safety objectives. But, from a business-development and corporate-development standpoint, I think it’s important to compare and contrast some of the traditional ways that industry has gone about this in the past and some of the non-traditional ways that they could go about it in bidding on the FirstNet opportunity.”

When FirstNet partners would be able to sell commercial services on the spectrum is unclear. FirstNet officials reiterated that public-safety entities will have preemptive priority on the network when responding to emergencies, but the details have not been determined.

FirstNet has conducted public-notice proceedings to solicit input about the definition of a “public-safety entity” that can qualify for prioritized access to the network, but no determinations have been announced. However, FirstNet Acting Chief Counsel Jason Karp said that “where we’re moving forward—as well as the feedback we’re getting from the states—is to encompass a very broad swath of public-safety entities beyond your traditional police, fire and EMS, both at the state and federal level.”

Meanwhile, the rules by which public-safety entities would use the network have not been determined in detail, although Kennedy said, “We certainly expect to have rational usage policies and procedures that benefit public safety but also create a way to use the network overall for network management.”

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