

June 12, 2018

Chairman Ajit Pai
Federal Communication Commission
445 12th Street, SW
Washington, DC 20554

Delivered Electronically

Docket Number: 18-122

Re: Expanding Flexible Use of the 3.7 GHz to 4.2 GHz Band

Dear Chairman Pai,

I would like to bring a matter regarding the possible reallocation of Mid-Band Spectrum to the attention of yourself and the Commission. I believe this is a new issue which has not previously been discussed in the filings to date.

Specifically, the matter concerns the financial benefits which may accrue to FSS operators (the “Consortium”) if the FCC adopts the recommendations put forth in the Consortium’s proposal. Under this proposal the responsibilities of the FCC to conduct public auctions for valuable spectrum will be handed over to a group of satellite companies who will privately negotiate secondary market agreements. This definitely is not the most fair, open, nor value maximizing method of allocating valuable spectrum. However, this is but a footnote compared to the much greater issue of handing over the value of that spectrum to the satellite consortium.

At stake is the enormous fair market value of this spectrum and investment markets are already pricing in a multi-billion dollar bonanza to these satellite companies. Intelsat saw its stock jump an astounding 612% from February 9, when the satellite Consortium announced their joint proposal, to June 6, the day before they filed to raise equity. This represents an increase in market value of nearly \$2 billion dollars. SES, the other major member of the Consortium, received an upgrade by a Morgan Stanley analyst on May 29, saying the FCC’s

acceptance of the Consortium's proposal "could yield a 'transformative windfall' of \$5 billion to \$13 billion to be shared by the satellite companies."¹

If the investment markets have it right, this is a disgraceful state of affairs. This spectrum belongs to the American taxpayer and the billions of dollars of value associated with it should be used to help alleviate the federal government's all too large deficit. This value cannot just be handed over to a group of satellite companies simply because they were fortunate enough to be allocated spectrum in the past when technology provided few other uses for it. Furthermore, the satellite companies received these spectrum rights for free, so it is completely unacceptable that they should now reap billions of dollars from the generosity of the US government.

It is bad enough to enrich any company with money that rightfully belongs to US taxpayers, but I would like to point out that the two main constituents of the satellite Consortium aren't even US companies, they are European companies. One of them is even majority owned by a European leveraged buyout firm!² With the current theme of "America First" being echoed across our nation, I am quite sure that I, my fellow taxpayers, and the current Administration would all be extremely displeased if decisions were made that resulted in foreign company's pockets being lined with billions of dollars that rightfully belongs to American taxpayers.

None of this should suggest that the satellite companies should be treated unfairly. On the contrary, if they need to shift to different spectrum bands, move earth stations, or employ new filtering technologies, they should be completely compensated. This can be done by setting up a compensation fund, just as has been done in the past when other incumbents needed to vacate areas of spectrum.

But the idea being pushed by the satellite consortium that they need to be "incentivized" by billions of dollars of taxpayer money to get the job done, or to get it done faster, simply cannot be accepted. This is an unfair and unnecessary cost to the US taxpayer. If shared usage of the 3.7 – 4.2 GHz band is adopted, the satellite companies are the ones who are going to be impacted by interference issues if they stall. They will have an existential incentive to get the job done, and get it done fast. And they will have a compensation fund to cover any economic burden. They don't need to be further enriched by US taxpayers.

¹ <https://www.bloomberg.com/news/articles/2018-06-01/intelsat-soars-as-proposal-for-new-airwaves-uses-makes-progress>

² https://en.wikipedia.org/wiki/BC_Partners

In conclusion:

- The FCC should conduct these mid-band spectrum auctions and maximize the value of this bandwidth for the US taxpayer.
- A compensation fund should be established to fairly cover the costs of any changes required of the satellite companies.
- There should be no windfall profits received by foreign satellite companies to implement any necessary changes.

Respectfully,

Arthur Litchfield

Concerned US Citizen and Taxpayer