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"The attached email is a presentation directed to the merits in proceeding 12-268 and accordingly is being filed in that docket."

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From: PRESTON PADDEN [<mailto:ppadden@me.com>]

Sent: Monday, December 29, 2014 10:38 AM

To: Gary Epstein; Howard Symons; Renee Gregory; William Lake; Dorann Bunkin; Evan Kwerel; Sasha Javid; David Goldman; Clint Odom; Adonis Hoffman; Louis Peraertz; Matthew Berry; Brendan Carr; Nicholas Degani; Erin McGrath; Gigi Sohn

Subject: New Coalition Blog Post

<https://broadcastcoalition.wordpress.com/>

Expanding Opportunities for Broadcasters Coalition

Debunking the “Speculator” Myth

December 29, 2014 December 28, 2014 [boulderpreston](#) [Leave a comment](#)

When I talk to people about our Coalition, at some point in the conversation, almost without fail, the other party references the belief that the Coalition is made up only of “speculators” and that the issues that we have highlighted are “speculator issues” or “Coalition issues” and not issues for real broadcasters. To dismiss our Coalition’s concerns on this basis, however, is a shortsighted mistake.

First, it is unfair and inaccurate to describe our members as “speculators” simply because they have expressed an interest in participating in the auction under the appropriate terms.

Although our membership agreement prevents me from disclosing the identify of our individual members, many of our members have owned and operated television stations for decades. Stations owned by our members include affiliates of the Big-Four broadcast television networks, affiliates of smaller networks and, yes, independent stations as well (some of which I worked with back in my days as president of the Association of Independent Television Stations). Every Station in our Coalition has viable business options other than participating in the auction. But these broadcasters recognize that, in many instances, the market value of their spectrum as repurposed for wireless use may be greater than the amount they would be willing to accept to relinquish that spectrum. If this makes them “speculators,” then I guess so too are Lin, Meredith, Tribune, CBS and Fox—all of which publicly have indicated that they are evaluating the potential benefits of auction participation. Without such “speculators,” there will be no spectrum to repurpose, and no incentive auction.

Second, the issues that we have been highlighting are not “speculator issues” or “coalition issues,” but rather issues that should be important to any broadcaster interested in the auction, and, as a result, to anyone interested in the success of the auction. These issues include making sure that the auction is conducted in a manner that is fair and transparent, so broadcasters can have confidence in its results; making sure that the FCC offers prices high enough to convince a large number of broadcasters that it may be worth abandoning, or at least changing, their current business plans; ensuring that the auction is simple enough for broadcasters to understand; and making sure, consistent with the concept of a voluntary auction, that the results are driven by market forces, not by administrative fiat.

A recent ex parte notice filed by Keith Leitch, President of One Ministries, Inc., exemplifies the fact that the issues we have identified should be important to all broadcasters. Mr. Leitch (who is not a Coalition member) wrote:

I am disappointed that the Commission would send out literature to all Class A and Full Power stations listing the value that they could expect in the auction and then put out an Auction Public Comment Public Notice that changes the way stations are valued. My non-profit organization is considering moving its Class A TV station to a VHF channel in the auction. The Greenhill book that the FCC sent us this year listed a value for our Class A station of approximately 22 million; however, the new calculation in the Auction Comment Public Notice reduces the value to about 14 million, because it uses the interference-free population. It seems like the Commission is being penny-wise and pound foolish, and that Class A owners like us are not being treated fairly and may no longer want to participate in the auction. A successful auction entails broadcasters participating. It is unethical to pitch one price to broadcasters and then to a bait and switch and really intend to give them much less. I think the auction may fail if the FCC doesn't intend to pay broadcasters a fair price.

If the auction is to succeed, the Commission must convince broadcasters like Mr. Leitch that the auction will be conducted in a fair manner and that the prices that it is offering are both fair and market-driven.

We believe that the FCC and its staff share our goals, and we look forward to continuing to work with them in the new year to ensure that the auction meets or exceeds the expectations of broadcasters and, as a result, is an unmitigated success.

Why The FCC's Use of Interference-Free Pops Matters

December 18, 2014 [December 18, 2014 boulderprestonincentive auction, interference-free pops, opening prices, POPs, pricing, scoring, value, volume](#) [Leave a comment](#)

In the Incentive Auction Report and Order the FCC stated that the prices offered to stations would vary based on the station's interference profile – its impact on repacking. The Commission said that “a station with a high potential for interference will be offered a price that is higher than a station with less potential for interference to other stations.” But in the just-released Auction Comment Public Notice, the Commission diverts from this approach, proposing a pricing formula that is based 50% on the interference free population that a station serves. This component is completely irrelevant to a station's interference or “blocking” profile and is included in the formula for one reason – to drive down prices. (For a more detailed explanation of why interference-free pops is inconsistent with the Report and Order, read our December 4 ex parte letter, available [here](#)).

Our analysis demonstrates that more than a thousand stations will receive prices that **significantly undervalue** their contribution to clearing spectrum. This issue impacts the entire

industry. Attached is a list of over 1100 stations that, according to the FCC's own data, *block* service to population at least 2 1/2 times larger than their interference free population. "Blocking" is the key driver of spectrum value: the "volume" of spectrum that a broadcaster occupies is the spectrum that cannot be used by other broadcasters if that broadcaster continues in business. The blocking effect is quantified by the FCC's paired interference files, which exhibit very little correlation with a broadcaster's interference-free pop count. The ratio of blocked population to interference-free population can vary from 1X to more than 30X. The FCC's proposal ignores these huge differences. More than 350 stations have a blocked pops measurement that is more than 5 times greater than their served pops – 5 times – and yet the FCC proposes a false measure of spectrum value – a thumb on the scale – that will pretend this spectrum value does not exist in order to justify capping payments below the fair market values that the FCC repeatedly promised to broadcasters.

The list of stations is sorted alphabetically by ownership – a list that reads like the "who's who" of the broadcasting establishment. These stations deserve to be paid on their much greater *blocked* pops number, not the smaller *served* pops number. Many of these stations are owned by small businesses, or non-profits, who do not have the resources to learn the intricacies of this incredibly complex auction. They trust the FCC to be an honest broker, developing honest tools to accurately measure their spectrum value, so that they can participate in the auction with the confidence that the FCC's mechanism will allow them to get a fair, market-determined price for their spectrum. This formula does exactly the opposite, taking advantage of broadcasters by purposefully appraising their spectrum "volume" below it's true value.

* [List of More Than 1100 Stations Undervalued By Interference-Free Pops Metric](#)

* [List of 352 Most Undervalued Stations](#)

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