

June 27, 2007

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th St., SW
Washington, DC 20554

Re: Notification of *Ex Parte* Communication
WT Docket Nos. 96-86, 06-150, 06-169; PS Docket No. 06-229

Dear Chairman Martin:

The attached article reports that AT&T is considering bidding on the “conditioned” E Block, as proposed by Frontline and supported by many others, because it could present an interesting business model. This report is noteworthy because it confirms points that Frontline has made repeatedly:

- The conditioned E Block as proposed by Frontline will attract lots of bidders;
- Operating the E Block on a wholesale, open access basis is a workable business model (a point that Citibank made in a presentation to the Commission last week);
- The conditions suggested by Frontline are not a “poison pill” but rather reflect important policy and business considerations that can benefit the entire industry and not just the largest wireless provider.

Please direct any questions concerning this matter to the undersigned.

Sincerely,


Gerard J. Waldron
Counsel to Frontline
Wireless, LLC

COVINGTON & BURLING LLP

cc: Erika Olsen
Bruce Gottlieb
Barry Ohlson
Aaron Goldberger
Angela Giancarlo
Fred Campbell
Derek Poarch
Dana Schaffer
Jeff Cohen

Telecom Watch

Drew Clark's Blog on Digital Convergence and Policy

AT&T Eyes Potential New Business Model in Spectrum Bid

By Brendan McGarry

WASHINGTON, June 25, 2007 – [AT&T](#) is considering a bid for wireless spectrum even if the phone giant has to share those airwaves with competitors and public safety agencies, an executive said last week.

Robert Quinn, Jr., AT&T senior vice president, said the company was considering the possibility of becoming a wholesaler for a block of 700 megahertz (MHz) spectrum that the Federal Communications Commission is planning to auction within the next several months.

"It's a different business model for us, but one that we'd be looking at," Quinn said in an interview with the Center for Public Integrity's "Well Connected" Project. "If, in the end, that spectrum is attached to public safety, and for example there's a wholesale requirement, we'll take a look at it."

AT&T is waiting for final FCC rules before deciding whether or not to place a bid. "Our position is that we need to see the specific rules the FCC adopts for the auction before determining our level of participation," AT&T spokesman Michael Balmoris said on Monday. The FCC rules are expected by July.

The wireless world is buzzing about the forthcoming auction of 60 MHz of frequencies within the 700 MHz zone. The spectrum is valuable because transmissions at those frequencies can cover large areas efficiently and penetrate buildings and trees.

Major players in the industry are expected to participate in the spectrum sale, which is scheduled to take place by January 2008. It is being reclaimed from television stations making the switch from analog to digital broadcasting by February 2009.

[Frontline Wireless](#), a startup led in part by former FCC chairmen Reed Hundt and Mark Fowler, has proposed pairing 10 MHz of commercial spectrum in the 700 MHz zone with 12 MHz of additional public safety spectrum to build a nationwide broadband network. The Frontline model would allow public safety to access all 22 MHz during critical emergencies. During the rest of the time, commercial carriers could lease them. The Frontline proposal also includes "open access" provisions that would require the winning licensee to act as a wholesaler and resell spectrum capacity to competitors.

The incumbent phone and cable providers have opposed open access encumbrances, arguing they would significantly devalue the spectrum, as well as the money received by the U.S. Treasury at auction.

"The commission wisely recognized that leaving such decisions to the licensee would allow the market to determine 'the band's suitability for uses ranging from wideband mobile communications to innovative, fixed wireless Internet access services and new broadcast-type services,'" AT&T said in an FCC [filing](#) last month. "The advocates of 'open access,' however, are seeking to replace market forces with regulation, requiring that commercial 700 MHz licenses be used to offer only standardized, completely unbundled broadband Internet access."

In the interview, Quinn also elaborated on the details of Democratic FCC Commissioner Jonathan Adelstein's [meeting](#) last Tuesday with AT&T's new CEO Randall Stephenson at the NXTcomm conference in Chicago. Adelstein requested the meeting as an informal "meet and greet" with Stephenson, who [succeeded](#) Ed Whitaker as chief of the top phone giant earlier this month.

"[Adelstein] just wanted to explain his view that there should be smaller chunks of spectrum, smaller chunks of geographic areas," Quinn said. "He didn't think a national competitor was going to emerge out of the auction."

The possibility of a new national competitor in the wireless market has galvanized interest in the pending spectrum auction. The question is whether a new entrant could compete against the incumbent cable and phone companies and provide a true alternative competitor for broadband access in the home.

Telecommunications business analysts are divided about the financial merits of the proposal by Frontline Wireless. But others make a case for an incumbent like AT&T bidding as a wholesaler, especially if the licensing rules require them to resell only a portion of the spectrum. That way, the incumbent could increase the size of its wireless footprint while leasing space on its existing towers to smaller competitors or startups.

AT&T "can presumably build that network out on those frequencies much cheaper and faster than a new entrant," said Michael Calabrese, director of the Wireless Future Program at the [New American Foundation](#), which supports open access spectrum requirements. Calabrese serves on the Well Connected Project's [advisory committee](#).

"Even as a wholesaler, they should be in a better position to profit than a new entrant," said Calabrese, noting that 175,000 cellular towers were controlled by the four major cellular companies: AT&T, [Verizon Wireless](#), [Sprint-Nextel](#) and [T-Mobile](#). "They already have sticks in the air."

Calabrese envisions regional providers or new entrants like Skype or Apple taking advantage of wholesale agreements on new networks. "Apple could rent access to some bandwidth and put a wireless chip into iPods," he said. "Imagine if all the iPods in the country could network to each other."