

Policies Regarding Mobile Spectrum Holdings

WT Docket No. 12-269

February 13, 2013



The Importance of this Proceeding

Spectrum is “America’s Invisible Infrastructure”

As President Obama recently noted, “a free market only thrives where there are rules to ensure competition and fair play.”

UNITED STATES FREQUENCY ALLOCATIONS

THE RADIO SPECTRUM

RADIO SERVICES COLOR LEGEND

AMATEUR	CELLULAR	COMMERCIAL
AVIATION	DEFENSE	EMERGENCY
BROADCAST	FIXED	MOBILE
NAVIGATION	POWER	SAFETY
PERSONAL	PLANNED	RESERVED
RESEARCH	TESTING	UNASSIGNED

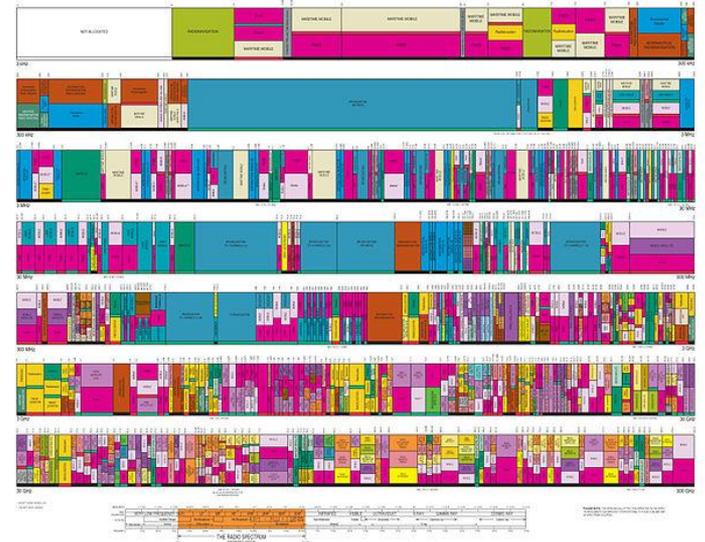
ACTIVITY CODE

■ Primary Use
 ■ Secondary Use
 ■ Unassigned

ALLOCATION USAGE DESIGNATION

A: Allotment
 B: Bandwidth
 C: Channel
 D: Duplex
 E: Emission
 F: Frequency
 G: Geographic Area
 H: Height
 I: Interference
 J: Jitter
 K: Key
 L: Latency
 M: Modulation
 N: Noise
 O: Offset
 P: Power
 Q: Quality
 R: Rate
 S: Service
 T: Time
 U: Usage
 V: Voltage
 W: Weight
 X: X-axis
 Y: Y-axis
 Z: Z-axis

U.S. DEPARTMENT OF COMMERCE
National Telecommunications and Information Administration



The FCC's Goals

The Commission has stated as a policy goal that “[e]nsuring the availability of sufficient spectrum is critical for promoting the competition that drives innovation and investment.”

“The industry is undergoing a transformation,” and “[t]his transition has led to the need of competitors for more spectrum”



Mergers and Large Spectrum Transfers Have Led to a Shrinking Marketplace



AT&T Acquisitions/ Spectrum Transfers



Verizon Acquisitions/ Spectrum Transfers



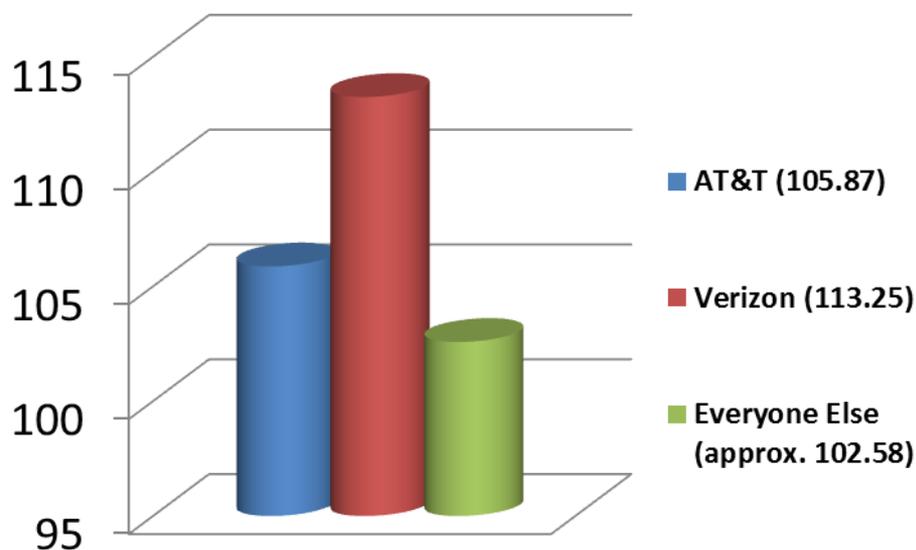
*All trademarks/servicemarks are the registered property of their respective owners.



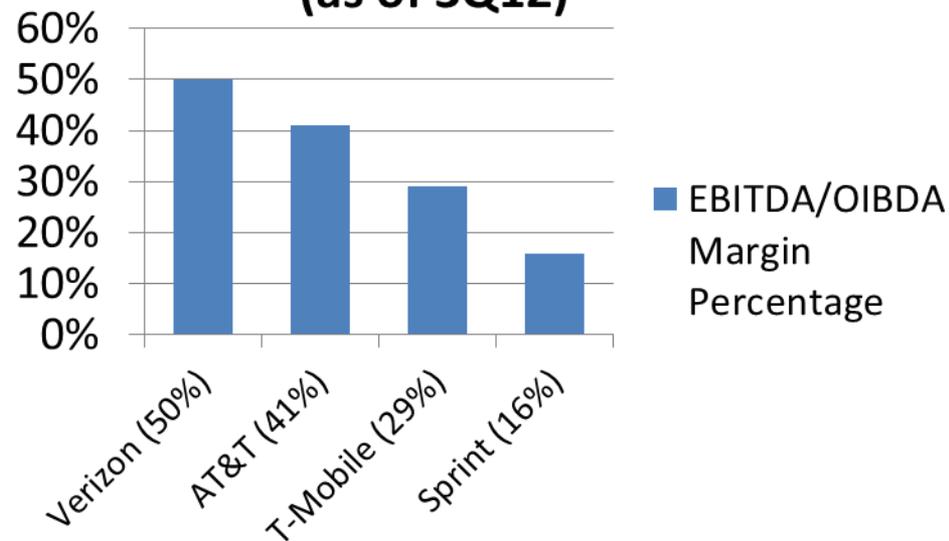
The Current Marketplace Borders on Duopoly

The industry has become extremely concentrated both in terms of number of subscribers and EBITDA/OIBDA margins.

Total Subscribers (in millions)

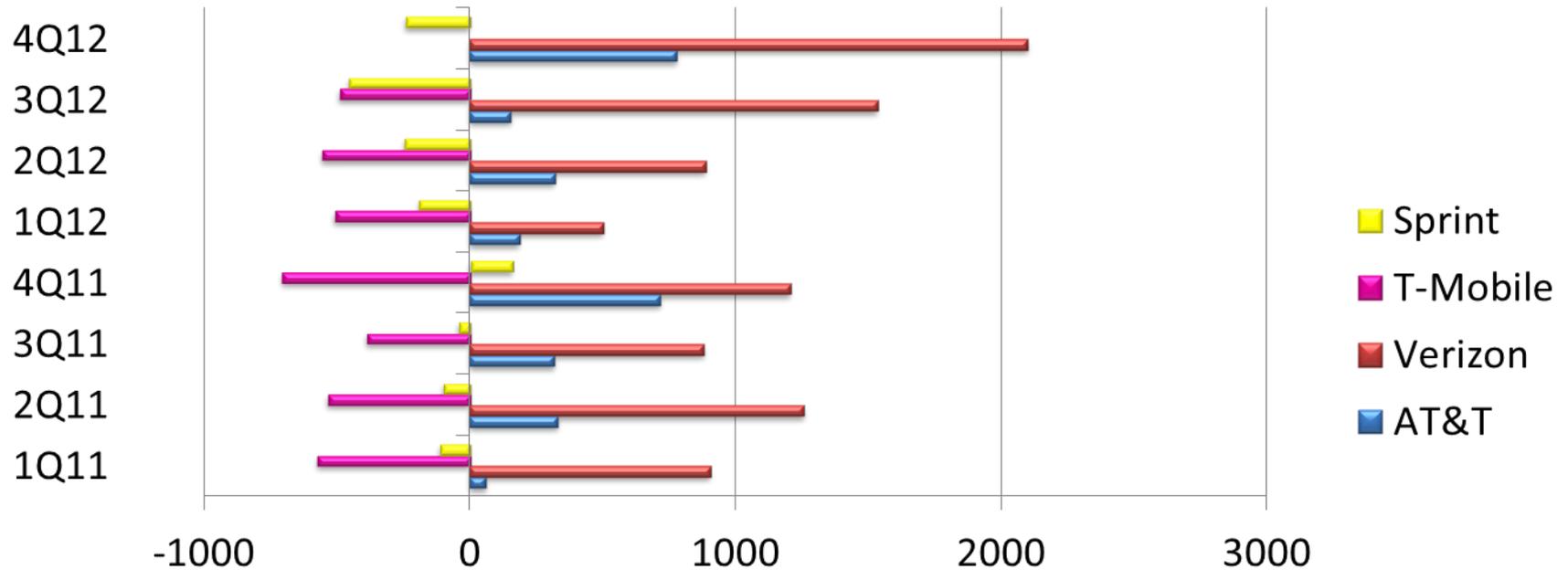


Industry EBITDA/OIBDA Margins (as of 3Q12)



Another Measure of Industry Consolidation

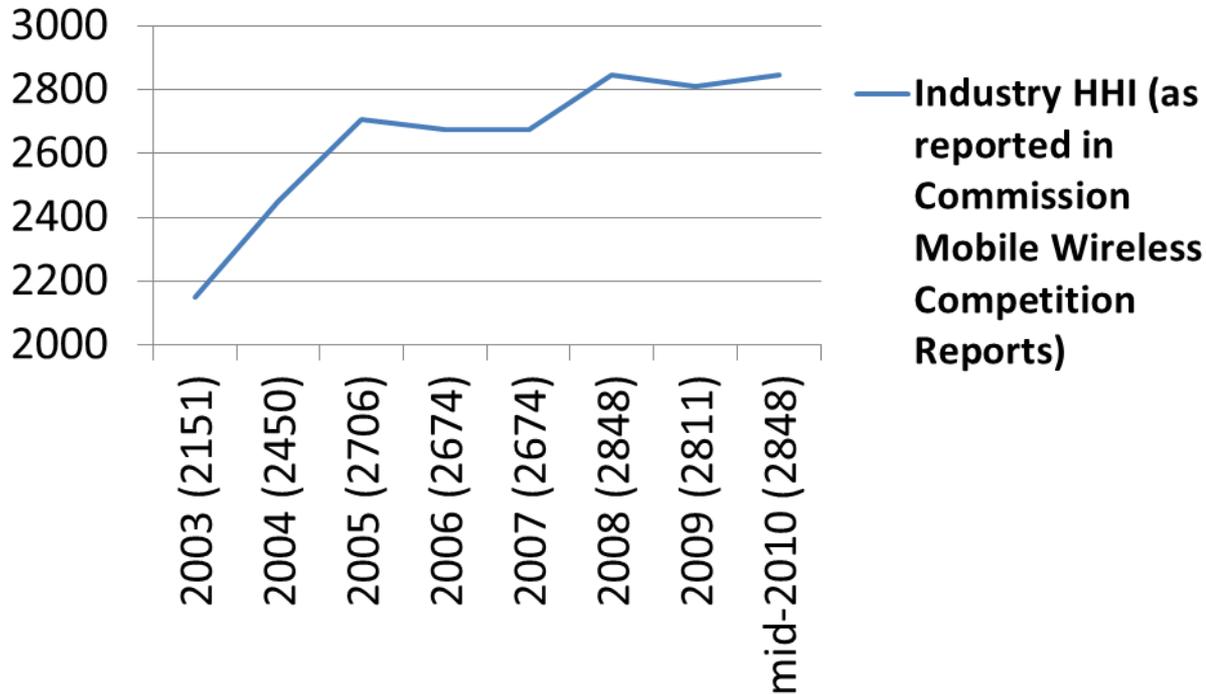
Postpaid net additions of the nation's four largest carriers over the past two years (in 000s)



Note: T-Mobile net additions do not include M2M



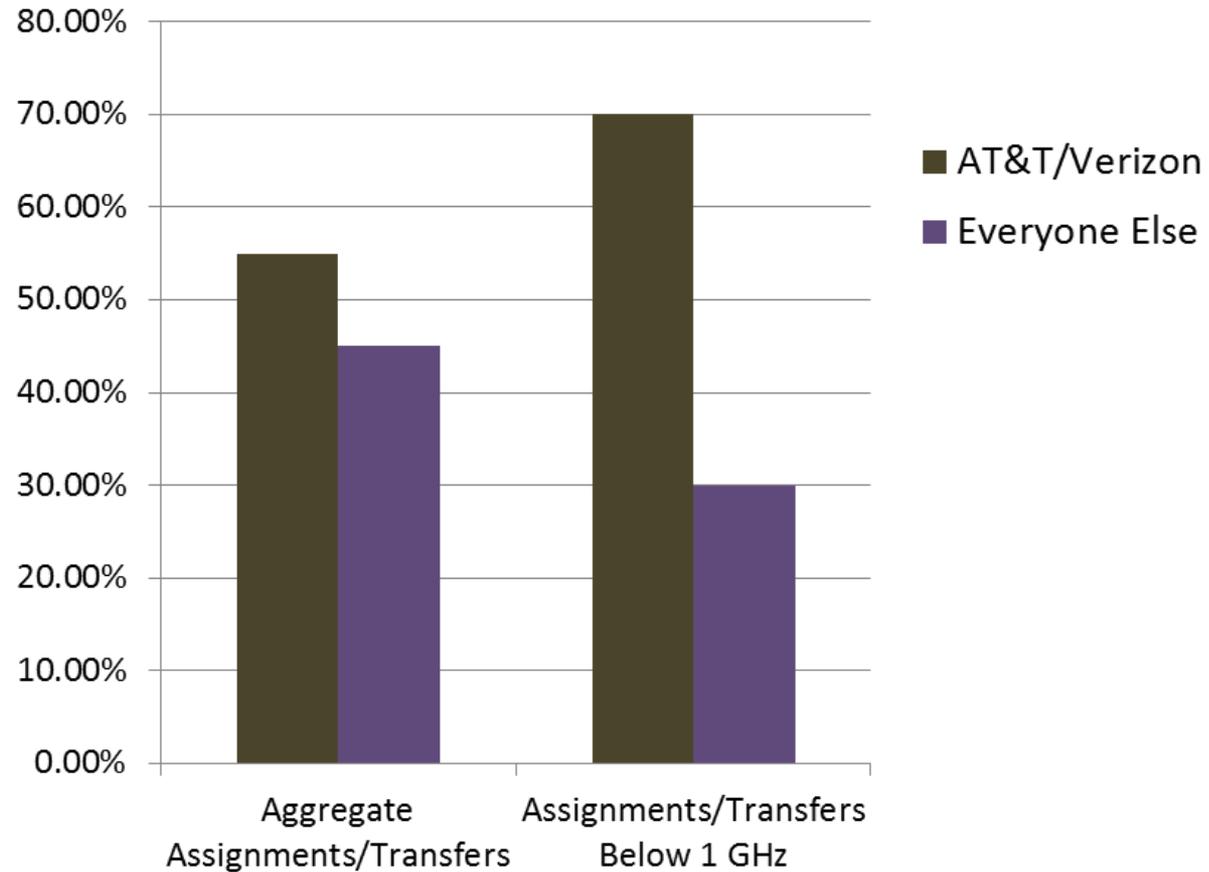
Consolidation of the wireless industry (as measured by the Herfindahl-Hirschman Index) has steadily increased.



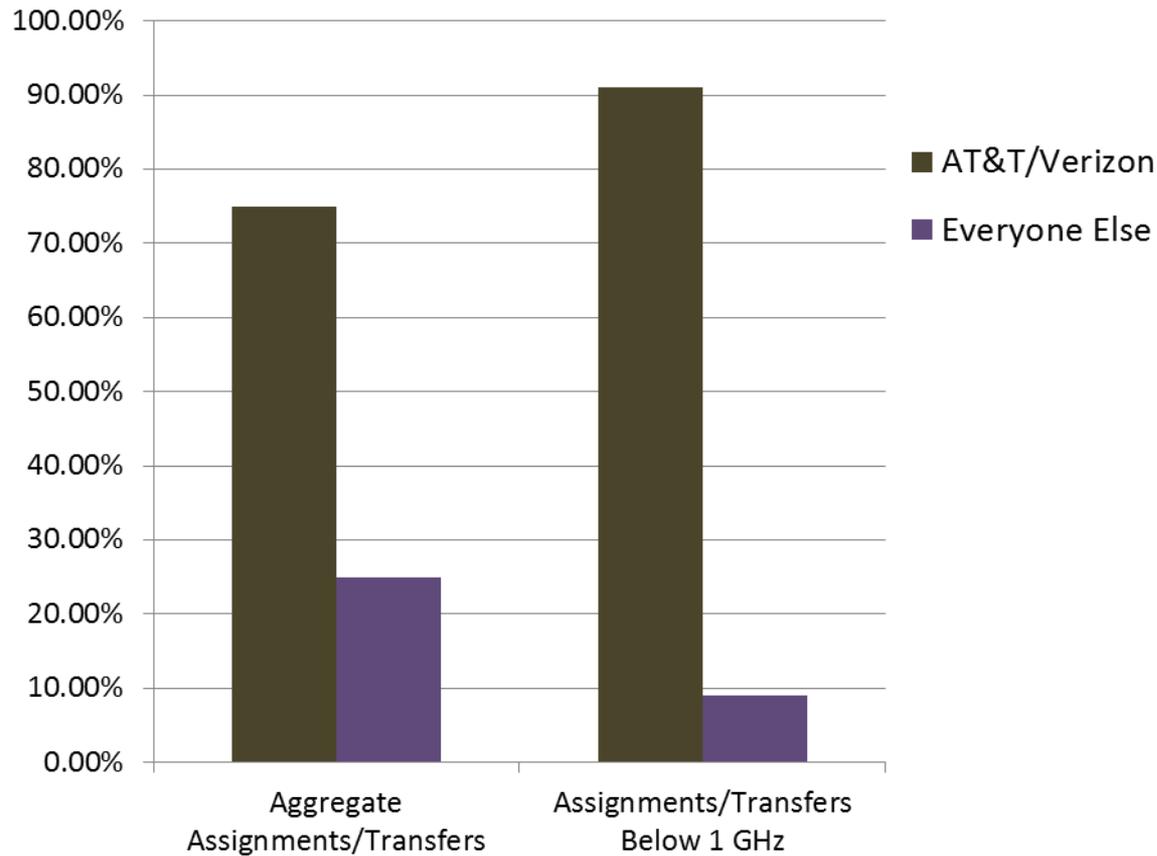
Markets with an HHI above 2500 are generally classified by the Dept. of Justice and the Fed. Trade Commission as “highly concentrated.”
Markets with an HHI between 1500 and 2500 are classified as “moderately concentrated.”



Secondary Market Transactions in 2012



Secondary Market Transactions Filed Thus Far in 2013



AT&T's and Verizon's Recent Spectrum Binges

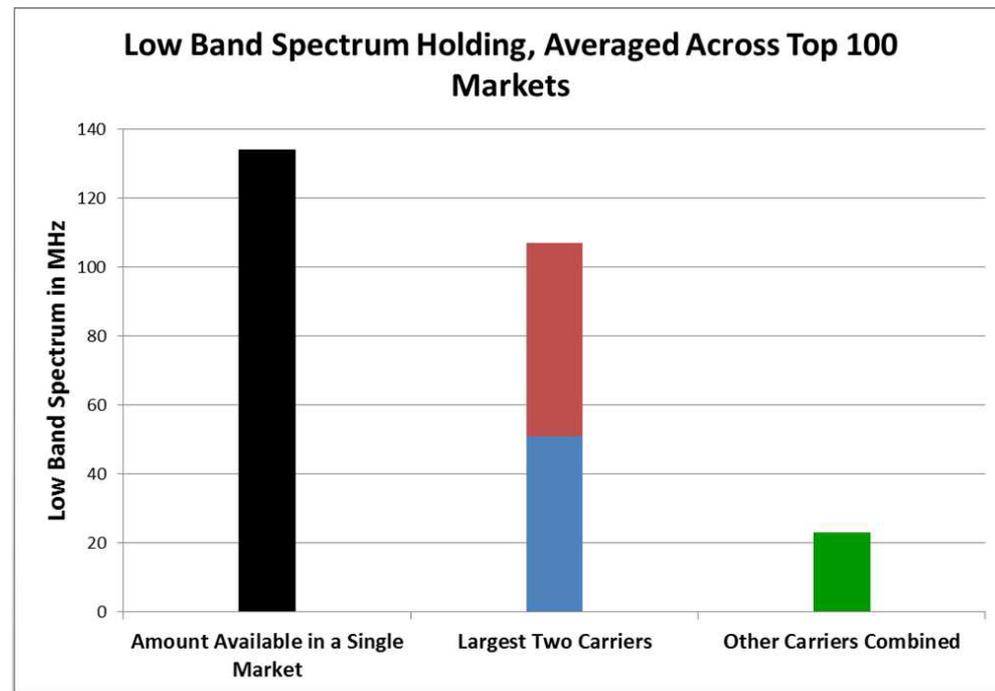
AT&T	Verizon
<p>2007-2009: AT&T spends approximately \$9 billion on spectrum licenses following deployment of the iPhone. (Presumably, included in this estimate is the \$2.35 billion AT&T paid for 79 of 105 markets divested by Verizon in the Alltel transaction).</p>	<p>2007: Verizon acquires Rural Cellular Corporation for \$2.7 billion.</p>
<p>2011: AT&T purchases Qualcomm's nationwide Lower 700 MHz downlink spectrum for \$1.93 billion.</p>	<p>2008-2009: Verizon agrees to buy Alltel for \$28.1 billion.</p>
<p>2012: AT&T enters into a flurry of transactions for spectrum following end of T-Mobile bid, including NextWave, CenturyTel and Comcast.</p>	<p>2011: Verizon agrees to buy SpectrumCo AWS spectrum for \$3.9 billion.</p>
<p>2013: AT&T seeks to purchase 700 MHz B Block spectrum from Verizon for \$1.9 billion (and transfer of AWS licenses).</p>	



Spectrum Aggregation

The two largest carriers have also aggregated an unprecedented amount of spectrum, particularly low band spectrum.

The Commission has previously recognized that low band spectrum is more useful to new entrants in light of its importance for achieving coverage efficiently.



Requested Relief

CCA asks the Commission to do the following:

- Create three screens: one for local spectrum holdings below 1 GHz, one for aggregate local spectrum holdings, and a third for nationwide holdings.
- Adopt clear rules for determining whether and how to count an entity's spectrum holdings towards the screen, as well as a clear and predictable process for adding newly suitable bands to the screen.
- Create a rebuttable presumption that transactions triggering the screen would not serve the public interest but would instead harm competition and consumers.
- Adjust its attribution rules to capture only those interests that are competitively significant.
- Complete this proceeding by the end of the year (and utilize the revised screen during the upcoming H Block and TV-broadcast auctions).