

VIA ECFS

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

Re: Globalstar, Inc. Petition for Rulemaking, RM-11685
Written *Ex Parte* Communication

Dear Ms. Dortch:

It is rumored that the Federal Communications Commission (FCC) will soon release a Notice of Proposed Rulemaking on a Globalstar, Inc. request to convert its mobile satellite service (MSS) spectrum to new terrestrial broadband service. Though this proposal presents a novel approach toward alleviating the so-called “spectrum crunch,” MediaFreedom.org¹ believes that ultimately Globalstar’s spectrum, if it is to be repurposed for terrestrial use, must be put up for open, competitive bidding through an auction as required by 47 U.S.C. §309. Globalstar received its license for free on the condition that it develop and deploy a nationwide MSS system. Allowing Globalstar now to exploit its spectrum primarily for terrestrial use would not only be unfair to other terrestrial providers who have paid billions of dollars at auction for spectrum rights, it would allow a massive private windfall at great potential expense to the U.S. taxpayer, and it would disserve the public interest.

Rather than serving the public’s need for more wireless broadband spectrum, Globalstar’s proposal is really about exploiting the public’s airwaves to prop up its failed business model. In 1995, Globalstar received its spectrum from the FCC, and in 2000 it began full commercial service. But the company and its mobile communications and data services have never really taken off. Indeed, for most of the last decade, Globalstar has been just as focused on seeking regulatory authority to deploy terrestrial service as on making its MSS work. Throughout its history, the company has been beset with a number of technical and market problems, challenging its commercial viability. Its stock price reflects these difficulties: though initially offered at \$17 per share in 2006, it now languishes at less than \$1 today.

The most attractive remnants of the company are its spectrum holdings. As such, Globalstar’s plan essentially allows it to transform its government-granted satellite spectrum to more marketable terrestrial mobile use. This could make the company more appealing to suitors or other investors by granting it new, valuable spectrum that cost the company zero to obtain and that could be arbitrated in secondary markets at an inflated premium.

¹ MediaFreedom.org is a market-oriented, IRS 501(c)(3) non-profit organization, operating as a watchdog of the so-called digital watchdogs by providing counterpoint to their advocacy in the Congress, the Executive branch / independent agencies, the courts, in the states / localities and elsewhere.

Recent press reports seem to bear this out. One Reuters story, “Globalstar Spectrum Seen Turning Into Deal Gold: Real M&A,” notes:

“Globalstar Inc. (GSAT:US), the provider of satellite-phone services that’s traded (GSAT:US) below \$1 since 2011, now offers investors the chance for returns of at least 30 percent in a takeover thanks to its coveted airwaves.

“Globalstar surged by the most in more than four years after the U.S. Federal Communications Commission last week moved a step closer to deciding whether the company can use some of its satellite airwaves to run land-based wireless networks. *A ruling in Globalstar’s favor would increase the value of the spectrum and could spur cable operators or phone carriers to try to acquire the whole company...*” (Emphasis added)

Profit is fine and good; MediaFreedom.org strongly believes it is a necessary element in sustainably bringing goods and services to the marketplace for consumers. But Globalstar should not be permitted to make its profit through regulatory fiat and at the expense of the public interest. The company was granted its spectrum for free, without competitive bidding, to develop valuable-to-the-public MSS. Unfortunately, Globalstar’s business model apparently has failed. Instead of honoring its government grant, it now wants to offer completely different services, which would compete directly with providers that have paid billions of dollars for their spectrum-based offerings in order to serve consumers. Not only would this skew competition in the mobile market, Globalstar would reap a windfall by avoiding auction payments to the U.S. Treasury, essentially cashing in on its free-lunch spectrum at the expense of United States citizens.

Globalstar’s suggestions that its proposal would serve the public interest by providing new Wi-Fi services do not hold up to scrutiny:

- While Globalstar says its proposed near-term terrestrial service is “WiFi-like,” it would not be a public WiFi service. Globalstar wants to deploy a licensed, centrally-managed, commercial service using spectrum currently available to unlicensed devices – essentially converting an unlicensed hotbed of innovation into a locked-down, private network controlled by Globalstar.
- Although Globalstar says its near-term service would help relieve WiFi and commercial network congestion by giving users another WiFi option, its real long-term plan is to deploy 4G LTE mobile broadband in the spectrum. What will happen to all the users that have adopted Globalstar’s WiFi system when it decides to deploy a more profitable 4G LTE network? Will they be left out in the cold?
- Globalstar would turn long-established FCC policy on its head by deploying a terrestrial service that precludes MSS operations wherever it is deployed. Although Globalstar suggests that it will give free MSS during emergencies, how can that be possible if its WiFi service gets first priority?

The U.S. Treasury, unlicensed spectrum users, and people relying on MSS during emergencies should not be victimized by Globalstar's regulatory ploy. Quite simply, if Globalstar cannot remain viable under the terms of its current license, it should either be sold to another entity that can make its assets valuable, or, failing that, it should be dissolved and forfeit its valuable spectrum holdings, to be put up for competitive auction to the highest bidder.

On a broader note, it has been three years since the U.S. released its National Broadband Plan (NBP). The NBP calls for the release 500 MHz of spectrum in 10 years, and 300 MHz within five years through competitive auctions or other means. To date, little real progress has been made toward reaching the NBP's spectrum allocation goal. Government control of this essential input remains one of the prime causes of the "spectrum crunch." Markets have been straining as a result. To this end, Globalstar's desire to exit the MSS market is one such "answer" among many to ease aspects of the "spectrum crunch," but it must be done sensibly. MediaFreedom.org believes that marketplace innovation, which includes vibrant secondary markets, must be allowed to flourish to address evolving spectrum needs. The inescapable conclusion in this instance, however, is that Globalstar seeks to capitalize on the "spectrum crunch" in order to achieve private gain at public cost. In doing so, not only does it undermine the NBP's goals, it needlessly distorts the marketplace by making a mockery of the FCC's spectrum management process.

The FCC should not be in the business of inflating bubbles or supporting unsustainable business models at the expense of other market participants. More importantly, in this time of budget crisis, the FCC should not be giving away valuable resources that deprive U.S. Treasury of funds. If Globalstar cannot meet its initial grant obligation, its spectrum must be put up for open and competitive auction as per 47 U.S.C. §309. MediaFreedom.org believes this remains the best way in which to benefit U.S. consumers and taxpayers.

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