

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of

Expanding the Economic and Innovation  
Opportunities of Spectrum Through Incentive  
Auctions

Docket No. 12-268

**JOINT COMMENTS OF DIRECTV AND DISH NETWORK**

DIRECTV, LLC (“DIRECTV”) and DISH Network L.L.C. (“DISH”) (together, the “DBS Providers”) respectfully submit these comments in response to the Public Notice in the above-captioned proceeding.<sup>1</sup> This dedicated Public Notice on reimbursement issues will help ensure that the Spectrum Act’s Relocation Fund captures all multichannel video programming distributor (“MVPD”) costs reasonably associated with broadcaster relocation efforts.<sup>2</sup>

*Catalog of Eligible Expenses.* The preliminary Catalog of Eligible Expenses captures the bulk of expected DBS providers’ expenses with two exceptions, detailed below.<sup>3</sup> This chart provides approximate estimated costs for the Catalog’s listed items and includes additional information as warranted.

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<sup>1</sup> Media Bureau Seeks Comment on Catalog of Eligible Expenses and Other Issues Related to the Reimbursement of Broadcaster Channel Reassignment Costs, GN Docket No. 12-268, *Public Notice*, DA 13-1954 (rel. Sept. 23, 2013) (“*Reimbursement PN*”).

<sup>2</sup> Joint Comments of DIRECTV AND DISH Network at 2, Docket No. 12-268 (Jan. 25, 2013).

<sup>3</sup> *Reimbursement PN* at 12.

CATEGORY	APPROXIMATE ESTIMATED COSTS
<b>Equipment</b>	
New receive antenna	<p>A new antenna may be required permanently or temporarily during the cutover period.</p> <p><b>Installation Costs</b></p> <ul style="list-style-type: none"> <li>• \$700-\$1,000 per antenna, including basic mounting hardware. UHF antenna on the lower end of the range, and VHF antenna on the higher end.</li> <li>• \$550 in related equipment (splitter, pre-amp with power supply and power inserted, coaxial cable, and other miscellaneous hardware (e.g., PADs, taps)).</li> <li>• \$1,000 per non-penetrating roof mount (where needed).</li> <li>• \$1,000-\$2,000 engineering and equipment costs to transition station from one existing antenna to another existing antenna.</li> <li>• \$500 approximately in in-house engineer time and salary, per build event.</li> </ul> <p><b>Recurring Costs</b></p> <ul style="list-style-type: none"> <li>• \$800-\$1,000 per site in monthly rental payments for any additional roof mounts. The first year of this expense should be covered (approximately \$10,000) with DBS Providers internalizing those costs in future years).</li> </ul>
New receiver or other RF processing equipment	<p>New receiver equipment may be required permanently or temporarily during the transition cutover period. The complexity of the necessary equipment varies by local receive facility/equipment design and needs.</p> <ul style="list-style-type: none"> <li>• \$4,000 approximately in basic receiver costs.</li> <li>• \$20,500 approximately in integrated receiver/decoder/encoder costs.</li> </ul>
Structural or capacity augments for towers/tower rigging	<ul style="list-style-type: none"> <li>• For routine tower changes, costs from \$2,500-\$5,000 depending on job complexity and market availability/cost of tower crews.</li> <li>• If a new tower is necessary because of excessive load on existing towers, costs can exceed \$20,000. DBS operators typically do not own the tower and are dependent upon landlord and tower owners.</li> </ul>
<b>Professional Services</b>	
Structural study of tower capacity	<ul style="list-style-type: none"> <li>• \$1,000-\$3,000, typically incurred by the tower landlord, and passed on to DBS providers.</li> </ul>
Engineering study	<ul style="list-style-type: none"> <li>• The costs of the necessary engineering studies vary significant by market size and the complexity of changes required post-auction. The study is typically completed with in-house engineering expertise.</li> <li>• Costs range from 30 and 40 engineering man hours, with an approximate average cost of \$1,150.</li> </ul>

***Additional Items for Catalog.*** The Catalog does not include two cost categories that warrant inclusion. First, DBS providers anticipate significant travel expenses for its engineers and technicians to adjust (if not rebuild) local receive facilities in each local market served. The Commission should include these reasonable travel expenses as a cost eligible for reimbursement. Because DBS Providers do not staff local receive facilities with personnel daily, a field engineer must travel to make changes associated with channel reassignments. Any reimbursement system that the FCC adopts should recompense the reasonable travel costs associated with broadcasters' relocation, as detailed in the DBS Providers' comments.<sup>4</sup> Specifically, it may be simplest to establish a fixed daily travel reimbursement of approximately \$225 to \$250/per day based on industry average of eligible mileage, food, lodging, and related expenses, in addition to the approximately \$360 per day in field engineer salary costs.

Second, there is the possibility that DBS providers could need to alter their fiber backhaul networks connecting their local broadcast receive facilities to their centralized satellite uplink facilities. Fiber upgrades—*e.g.*, an upgrade from DS3 connection to OC3 access—to account for additional video capacity required at a given local receive facility may result in significant one-time and recurring costs. The cost of site-specific fiber upgrades will vary widely, based upon a number of variables, including whether a partial upgrade or a full upgrade for the relevant circuit is necessary. Difficult to quantify and often varying greatly, one-time costs could include early termination fees of older circuits and installation charges for the newer circuits. Recurring monthly costs are similarly dependent upon the local fiber provider, circuit design, and available circuits. For instance, a transition to a fractional OC3 could result in additional costs of \$2,000

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<sup>4</sup> DBS Providers Comments at 9.

to \$3,000 per month, while full OC3 costs would be more substantial, in excess of \$8,000 more per month per site. Both one-time costs and recurring costs should be included the final Catalog for the first year, with DBS Providers internalizing those costs in future years.

***Cost Mitigation Mechanisms.*** The *Reimbursement PN* seeks comment on potential ways to mitigate costs associated with channel reassignments, including bulk purchasing and competitive bidding mandates.<sup>5</sup> While the DBS providers share the Commission's objective of constraining costs, the proposed cost mitigation approaches would be counterproductive as applied to larger MVPDs, potentially delaying and frustrating the ability of providers to support post-auction broadcast repacking efforts, and, more broadly, adding an unnecessary layer of regulatory complexity to a process already fraught with uncertainties.

For example, the Commission should not require the issuance of competitive bids for equipment and services that exceed a certain dollar threshold or for a particular type of equipment or service.<sup>6</sup> Many MVPDs have developed long-standing relationships with suppliers, which can include sizeable discounts off standard rates. The cost estimations provided above reflect these already negotiated discounts. DBS providers require dedicated equipment to support hundreds of different broadcasters nationwide, which requires some degree of uniformity in equipment and vendors. In fact, in many cases, a single vendor is used due to the complexity of the internal signal path within DBS systems. More broadly, utilizing the same models and types of equipment/receivers across a national platform simplifies administration,

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<sup>5</sup> *Reimbursement PN* at 2-3.

<sup>6</sup> The Spectrum Act requires that the FCC make any reimbursements within three years of the forward auction's completion. Spectrum Act, § 6403(b)(4)(D). As competitive bidding requirements can extend procurement time frames, it may frustrate the Commission's broader timing objectives and obligations.

troubleshooting, equipment replacement schedules, and internal training. Forcing new vendors and/or equipment through FCC-required competitive bidding mechanism could add unnecessary complexity and costs to ongoing operations.

Similarly, the Commission should not impose bulk purchasing mandates. Such proposals may have some merit for smaller and regional broadcasters or MVPDs, particularly voluntarily bulk purchasing opportunities, but are not suitable for national providers, which possess sufficient purchasing scale, procure highly specialized equipment, and rely upon long-standing vendor relationships.<sup>7</sup>

**Conclusion.** The Commission should ensure reimbursement for all reasonable and foreseeable MVPD costs associated with broadcasters' relocation.

Respectfully submitted,

/s/

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November 4, 2013

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<sup>7</sup> The *Reimbursement PN* also suggests identifying cost-saving opportunities through tower and antenna sharing arrangements. *Reimbursement PN* at 3. The DBS Providers welcome voluntary cost-saving mechanisms, but the Commission should not mandate such measures. The DBS providers already combine facilities in some markets where technically feasible and commercially sensible. It is unlikely that DBS providers would actually move the physical location of a local receive facility in this process, which greatly reduces any potential new sharing arrangements.