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# Incentive Auction Issues

# Topics

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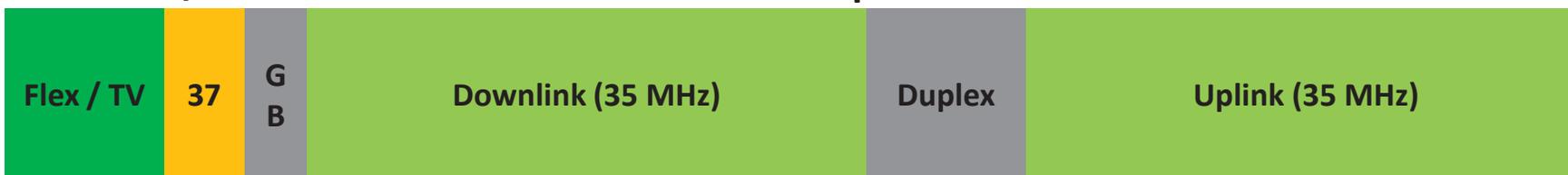


- Band Plan
- Spectrum Concentration
- Importance of Low-band Spectrum
- FirstNet Funding
- License Areas
- Package Bidding
- Interoperability
- Scoring

# Support for 35x35 MHz “Down from 51” Plan



## T-Mobile / Verizon Joint Band Plan + AT&T\* + Sprint\*\*



## AT&T Band Plan + Sprint\*\*



\* AT&T has endorsed the T-Mobile / Verizon Joint Band Plan for clearing scenarios 84 MHz and above.

## Ericsson Band Plan + Sprint\*\*



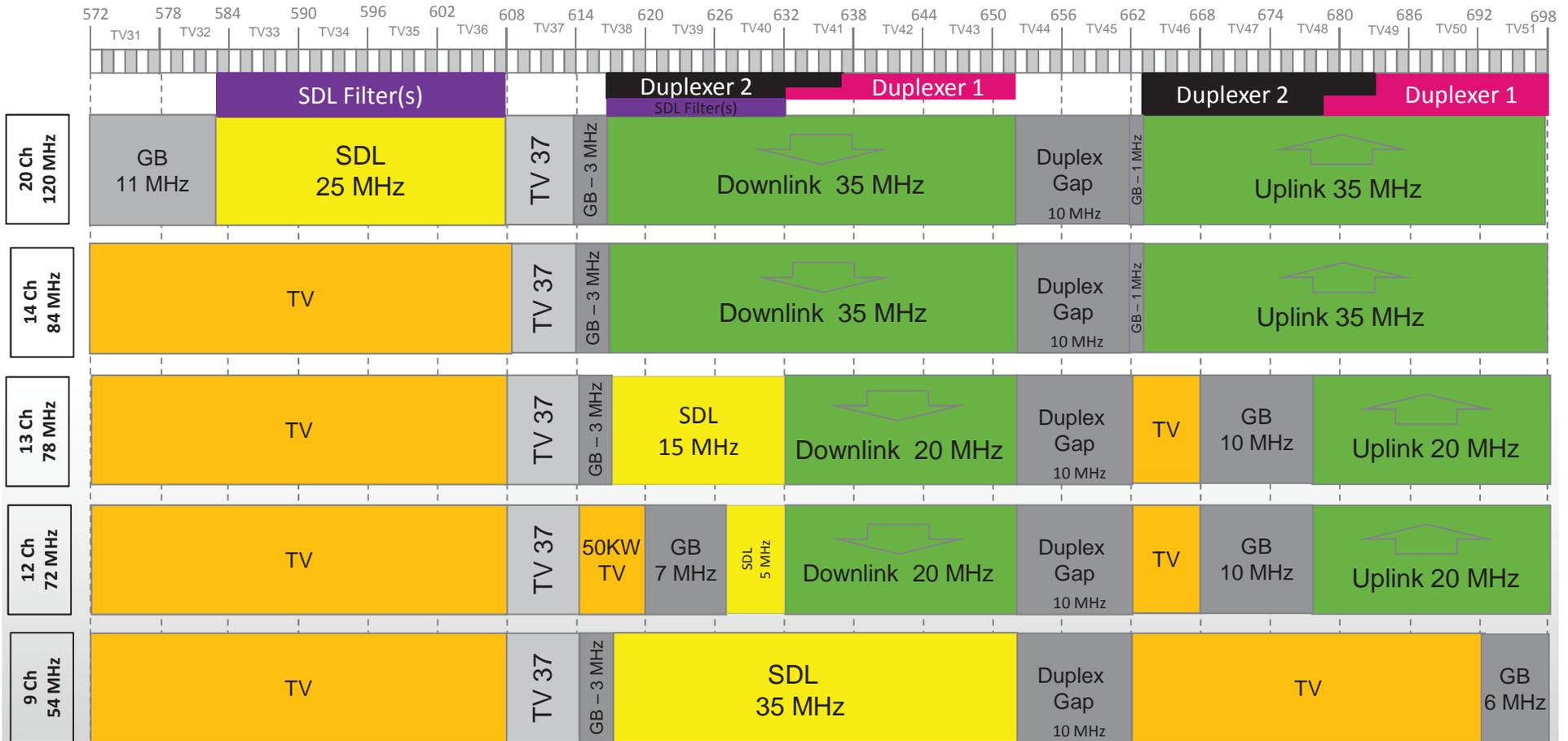
\*\* Sprint endorses the pictured plan if 120 MHz is cleared. It has endorsed the T-Mobile/ Verizon Joint Band Plan in an 84 MHz clearing scenario and the AT&T 25x25 MHz Band Plan if less than 84 MHz is cleared.

# Support for 35x35 MHz “Down from 51” Plan

## 35x35 MHz Plan Accommodates Variations



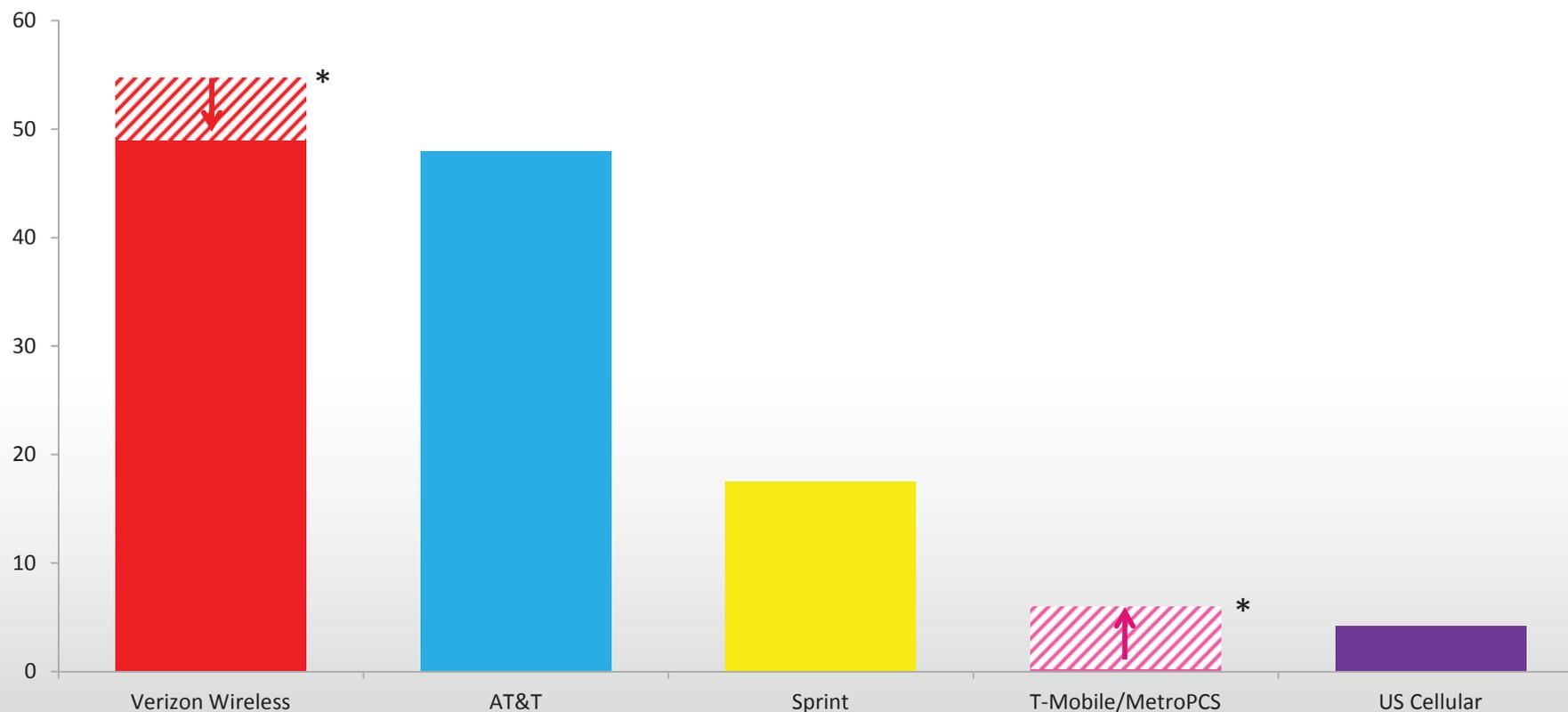
### T-Mobile / Verizon Joint Band Plan



# Low-band Spectrum is Highly Concentrated



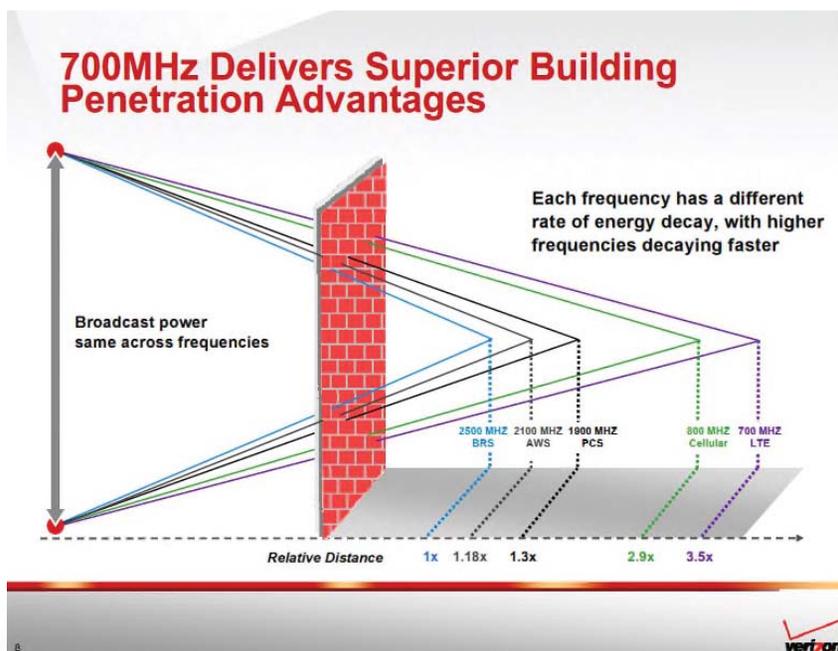
Spectrum holdings below 1 GHz  
(nationwide population-weighted average megahertz)



Source: Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993; Annual Report and Analysis of Competitive Mobile Conditions with Respect to Commercial Mobile Services, Sixteenth Report, WT Docket No. 11-186, ¶ 118 (rel. Mar. 21, 2013); Verizon and T-Mobile Assignment Applications, ULS File Nos. 0006090675, 0006090661 (filed Jan. 10, 2013).

\* The hashed boxes reflect T-Mobile's pending acquisition of certain Lower 700 MHz A Block spectrum licenses from Verizon Wireless.

# Low-Band Spectrum is Necessary to Compete



Lowell McAdam, President & CEO, Verizon Wireless, Presentation to Barclays Capital (May 26, 2010), available at [http://www.verizon.com/idc/groups/public/documents/adacct/event\\_965\\_precol.pdf#page=8](http://www.verizon.com/idc/groups/public/documents/adacct/event_965_precol.pdf#page=8)

- AT&T's CEO: Low-band spectrum is “beachfront property” and “propagates like a bandit”

***In-building penetration and rural coverage is essential to compete***

- A one-third aggregation limit on below 1 GHz holdings addresses market power
  - Minimum access exception ensures a 5x5 MHz license is available in all markets
  - AT&T could win two or more licenses in >70% of markets at 84 MHz
- To protect competition and consumers, the Administration through the DOJ supports below 1 GHz spectrum-aggregation limits
- Dynamic Market Rule ensures clearing targets and revenue are never at risk

# Anticipated Funding for FirstNet Will Be Met Before the Incentive Auction



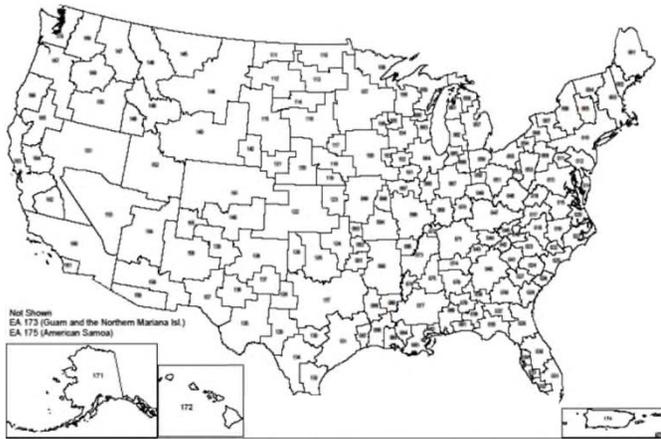
Spectrum Block	Estimated Proceeds (4Q2013)	Price per MHz-POP (Est.)
<i>H Block</i> 1915-1920 MHz/1995-2000 MHz	\$1.6-\$2.3 billion	\$0.50-\$0.75
<i>AWS-3</i> [1755-1780] <sup>1</sup> /2155-2180 MHz	\$6.3-\$9.4 billion	\$0.80-\$1.20
<i>1695 Band</i> 1695-1710/[unspecified 15 MHz in the Spectrum Act]	≥\$1 billion unpaired; \$2.3-\$4.7 billion paired	≥\$0.21 if unpaired; \$0.50-\$1.00 if paired
<b>Total (without 600 MHz)</b>	<b>\$8.9-\$16.4 billion</b>	--

<sup>1</sup> Proceeds from the auction of this spectrum band do not go to the Public Safety Trust Fund and so are excluded from these calculations.

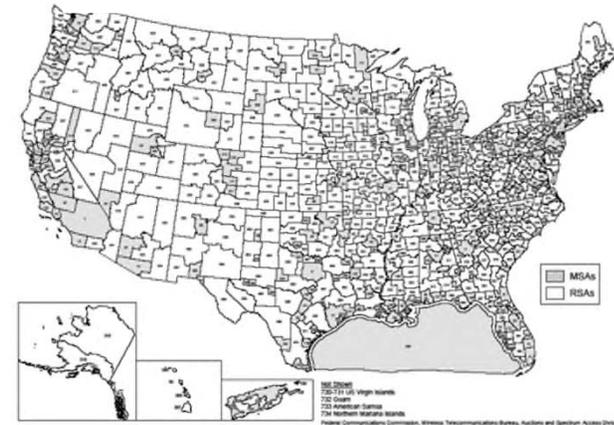
# Smaller License Areas Are Acceptable Provided the Commission 1) Adopts Spectrum Limits and 2) Rejects Package Bidding



176 Economic Areas (EAs) ...



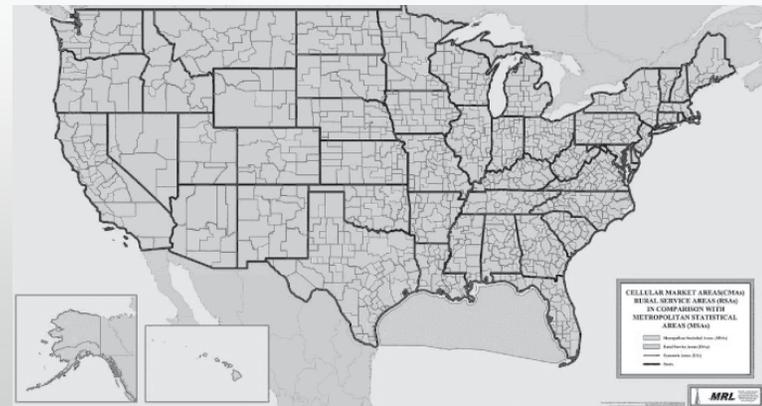
... 734 Cellular Market Areas (CMAs)...



...350 Partial Economic Areas (PEAs)...



...or 176 EAs followed by 429 RSAs



# Package Bidding Poses Serious Challenges

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- A package bidder's withdrawal creates excess supply, price uncertainty, questions of bidding eligibility, and other problems peculiar to the incentive auction context.
- Package bidding creates damaging opportunities for strategic bidding.
- Package bidding is not necessary if reasonable spectrum-aggregation limits are adopted because limits reduce bidders' exposure risk.

# Three Steps to Ensure Interoperability

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- Require interoperability of all 600 MHz licensees
- Design band plan to permit deployment with a single band class
- Assign licenses randomly or quasi-randomly to create durable incentives for interoperability

# Scoring Helps Clear Spectrum

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- The FCC should start reverse auction prices at different levels for stations that have different values.
- The goal of scoring is not to name the right price for any station, but rather to ensure the starting price better reflects the relative value of a station.
- Scoring will increase the amount of spectrum made available for broadband, accelerate the auction process and result in more revenue for the U.S. Treasury.
- Scoring can help broadcasters by more effectively distributing funds in the reverse auction.