

Pipeline

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www.pipelinepub.com Volume 4, Issue 9

The Fight for 700MHz

by Alana Grelyak

The phasing out of analog television signals in favor of high-definition television will be leaving a big hole in a certain now sought-after 700 MHz frequency band in the near future. Sound familiar? If you're already in the telecom industry, it should, because the FCC is allowing more than two-hundred pre-qualified bidders to try and gain bandwidth and licenses in various parts of the frequency band during the 700 MHz wireless spectrum auction that commenced on January 24, 2008, titled Auction 73 by the FCC.

The auction was no easy task to assemble; the FCC had to make available plenty of documentation regarding bidding rules. It also took applications from interested parties and decided whether or not each individual applicant should be qualified to take part in the auction. In the end, the FCC granted qualifying status to 214 bidders. In an effort to help bidders understand the process, the FCC scheduled a "mock auction" on January 22, where bidders were allowed to familiarize themselves with the bidding process via the Internet and telephone methods in order to have a smoother experience on the actual bidding days. Bids are all made anonymously, with the specific intention of promoting competition amongst the bidders.

So who are the companies that made it past the FCC's application scrutiny? There are the large companies, like AT&T Mobility, Google, Verizon Wireless (Verizon Wireless is actually the company's dba; the company is officially listed as Cellco Partnership on the FCC's qualified bidders list), but there are also lesser-known rural companies, like Paul Bunyan Rural Telephone Cooperative (a company that services approximately 3,500 square miles of Northern Minnesota) that are putting in bids for a share of the bandwidth.

One might think that some smaller companies wouldn't have the necessary funding to rival the big names, but the FCC isn't just auctioning off the whole 700 MHz shebang all at once; it's actually an auction of the 698-806 MHz band that's been divided into sections, called blocks. Block C is the largest, including 22 MHz (746-757/ 776-787 MHz) at a reserve price of \$4.637854 billion. Google has shown particular interest in Block C, and even petitioned the FCC mid-2007 to include four open access requirements, claiming that they would bid at the FCC's \$4.6 billion reserve point if those provisions were included. The move provoked a lawsuit from

Verizon, an opponent of the open access requirements, when the FCC decided to include two of Google's four suggestions, stating that if the \$4.6 billion reserve was met, the operator with the winning bid would be required to allow access for any device, assuming it doesn't interfere with any of the other services. The FCC, however, denied Google's request to allow a wholesale market on the bandwidth. If the reserve isn't met in Auction 73, the FCC will re-auction Block C sans the open access provisions.

Also on the auction block are 1,099 distinct licenses, including nationwide licenses, regional licenses, and also a somewhat overlooked nationwide commercial-public safety Block D license that isn't garnering as much attention as the FCC would like. The catch with Block D is that, while it has similar provisions as the other blocks, the top bidder must build a nationwide wireless public safety network that meets public safety specifications. As of the 25th of January, day two of the bidding, the D-Block had a top bid of \$472 million, while the reserve for Block D was set at \$1.330000 billion. The FCC has said that if reserves are not met during the bidding process, then "none of the licenses for the particular block will be assigned based on the auction results. The Commission will promptly offer licenses in blocks that do not meet the reserve price in a contingent subsequent auction (Auction 76)..." (FCC Fact Sheet at wireless.fcc.gov)

Smaller businesses hoping to win a share of the frequency pie also have help from the FCC in the form of Small Business Bidding Credits. Qualified bidders that meet certain annual gross income revenue criteria can receive either a 15% or 25% bidding credit, which ends up being an overall discount on winning bids.

It's unclear exactly when the bidding war for the 700 MHz frequency band will come to an end. As of our publishing date, a couple hundred bidders are still vying for top position of some licenses and MHz real estate that could be a major asset to their companies. Under the radar of most major news outlets, the fight for bandwidth is like an underground battle being waged that may affect the public's future more than they currently realize. In any outcome, the federal government's coffers should end up plus several billion dollars.

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