



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

March 11, 2015

The Honorable Anna G. Eshoo
U.S. House of Representatives
241 Cannon House Office Building
Washington, D.C. 20515

Dear Congresswoman Eshoo:

Thank you for your letter supporting competition in the wireless marketplace. I share your view that the upcoming incentive auction will provide a unique opportunity to promote greater competition and choice by making additional low-band spectrum available for wireless broadband. As you note, the Commission adopted a market-based spectrum reserve for the incentive auction to facilitate an opportunity for mobile wireless providers that lack significant amounts of low-band spectrum to acquire such spectrum. The market-based feature of the reserve is designed to ensure that all bidders for reserved spectrum licenses bear a fair share of the cost of making incentive payments to broadcasters that voluntarily relinquish some or all of their spectrum usage rights.

Particularly in light of the competitive importance of the incentive auction, the Commission is on track to begin the auction in early 2016. Some have suggested that carriers that already have sufficient low-band spectrum may attempt to delay the auction in order to preserve their competitive advantage in holding almost all this spectrum for as long as possible. We will strenuously oppose any such efforts.

In addition to the competitive benefits of moving forward with the incentive auction, a convergence of forces is building that strongly supports commencing the auction in early 2016. First, demand for wireless broadband spectrum continues to surge. According to Cisco's latest annual VNI Global Mobile Data Traffic Forecast, global mobile data traffic is predicted to increase nearly tenfold between 2014 and 2019. Mobile data traffic is predicted to grow at a compound annual growth rate (CAGR) of 57 percent from 2014 to 2019, reaching 24.3 exabytes per month by 2019. By the end of 2014, the number of mobile-connected devices is predicted to exceed the number of people on Earth, and by 2019 it is predicted that there will be nearly 1.5 mobile devices per capita. The Forecast also predicts that there will be 11.5 billion mobile-connected devices by 2019, including M2M modules, a number in excess of the world's projected population.¹ Delaying the incentive auction beyond early 2016 would impose costs on the broader economy by deferring substantial capital investments, increased GDP, and job growth associated with making more spectrum available to meet this demand.

¹ http://www.cisco.com/c/en/us/solutions/collateral/service-provider/visual-networking-index-vni/white_paper_c11-520862.html.

Second, broadcaster interest in participating in the auction—which will be critical to fulfilling the congressional policy goals of the Spectrum Act—has gathered significant momentum. We have hosted dozens of broadcaster meetings at the Commission and provided well-attended broadcaster-focused webinars. Working with the investment banking firm of Greenhill & Co., we published in the fall of 2014 an information package for broadcasters that explained the opportunities presented by the incentive auction. We recently updated that information package to include opening bid prices, calculated using the formula proposed by the Commission in December.

In response, broadcasters are taking a close look at the opportunities the auction presents. In the months since the release of the original information package, hundreds of broadcasters of all sizes from all around the country have contacted us to request additional information. In fact, four major broadcast groups—Fox, ION, Tribune, and Univision—recently publicly expressed interest in the auction and support for the early 2016 start date. The FCC is now beginning to engage in even more extensive outreach to broadcasters. For example, FCC staff is conducting information sessions around the country to meet with broadcasters in group and one-on-one sessions. We also continue to meet with broadcasters at the FCC to answer their questions about the incentive auction.

Third, the recently-concluded AWS-3 auction confirmed the strong market demand for more spectrum. While there have been some suggestions that the bidding in the AWS-3 auction may have strained the financial capacity of the wireless carriers, those suggestions are not borne out by the facts. Bidders bid to a budget, taking into consideration all relevant factors in the marketplace, including future auctions. After the AWS-3 auction closed, AT&T reiterated its commitment to bid at least \$9 billion in the incentive auction. T-Mobile and DISH have also recently said publicly that they will participate. Running two spectrum auctions close together has been the norm since the FCC's first auctions, and carriers have ample interest and financial capability to participate vigorously in the incentive auction. Among other potential financial resources available to bidders, the cost of debt is currently exceptionally low, while the future of borrowing money is uncertain. That uncertainty would only grow if the auction were delayed.

Fourth, the “beachfront” character of 600 MHz band spectrum guarantees that providers will bid substantial sums for it. Low-band spectrum has physical properties that increase the reach of mobile networks over long distances at far less cost than spectrum above 1 GHz, while also reaching deep into buildings and urban canyons. While other cost-related factors exist, access to a sufficient amount of low-band spectrum is a threshold requirement for extending and improving service in both rural and urban areas. Facilitating access to low-band spectrum by multiple providers is important to preserve and promote competition in the mobile wireless marketplace, which brings consumers more choices, lower prices, and higher quality services.

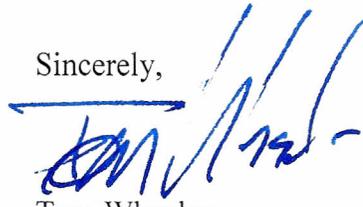
For these reasons, we are working toward commencing the auction in early 2016. Delaying the auction would hurt consumers by deferring the availability of the new broadband capacity necessary to meet the continued growing demand for wireless broadband. It would hurt

competition by depriving competitive carriers of the opportunity to build their portfolios of low-band spectrum as quickly as possible. Delay is also not in the interest of the broadcast industry, as it would postpone attractive opportunities for broadcasters who want to participate and perpetuate uncertainty for the industry as a whole. And delay is not in the interest of the wireless industry, which needs that low-band spectrum now in order to meet consumers' demand.

Finally, we appreciate your request that the Commission continue to evaluate its auction rules and procedures to ensure that they are sufficient to prevent excessive concentration of spectrum among the nation's largest wireless providers. Our evaluation of those rules and procedures is underway and will be completed before the start of the auction.

Thank you for your ongoing interest in and support of our efforts to promote competition and choice in mobile broadband. I look forward to working with you toward our mutual goal of a successful incentive auction in early 2016 for the benefit of America's consumers, wireless providers, and broadcasters.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tom Wheeler", with a horizontal line drawn above the signature.

Tom Wheeler



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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

March 11, 2015

The Honorable Edward J. Markey
United States Senate
218 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Markey:

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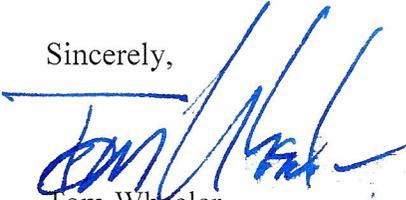
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Tom Wheeler