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Spectrum
Incentive
Auctions

June 26, 2015

The Honorable Tom Wheeler
Chairman
Federal Communications Commission
445 12th Street, Southwest
Washington, D.C. 20554

Dear Chairman Wheeler:

We write to address rules governing spectrum auctions, in particular small business participation and set-asides. The success of the recent AWS-3 auction was generally encouraging and we look forward to the upcoming incentive auction. Spectrum policy has never been more scrutinized as society trends toward heavier reliance on wireless devices. As a result, we submit the following:

First, spectrum is a vital and scarce resource, and we believe the best way to allocate spectrum is through free market principles. As a general rule, that means the FCC should not impose restrictions on who can bid on spectrum. Unnecessary regulations will only prevent consumers from realizing the full benefits that wireless connectivity can bring.

Second, we strongly oppose any rule changes that would depress participation in the upcoming incentive auction for 600 MHz broadcast TV spectrum. The Commission's existing rules will set-aside, or reserve, up to 30 MHz of spectrum in a market for certain participants. Some lawmakers and potential auction participants are nevertheless lobbying your agency for even greater set-asides – executive agencies have even weighed in. We see no reason to further restrict access to low frequency spectrum and reduce broadcaster incentives to relinquish their spectrum holdings by artificially reducing demand. Doing so will undermine congressional intent, reduce the amount of spectrum voluntarily cleared, reduce the net proceeds of the auction, and harm the public interest.

Third, the Designated Entity program needs further reform. We are aware of discussion about certain entities not operating within the spirit of the rules during the AWS-3 auction. Commissioner Pai even testified before the House in May that “small business discounts are now being used to give billions of dollars in taxpayer funded subsidies to Fortune 500 companies and to make it harder for legitimate small businesses to compete in the wireless market.”

Abuse of the Designated Entity program is unacceptable, and the FCC must carefully enforce its rules to ensure that multi-billion dollar corporations are not effectively receiving subsidies that are intended for small businesses. The Commission must be especially vigilant whenever anyone games the system through the coordinated activities of numerous Designated Entity applicants. And the Commission should not condone the use of corporate gimmickry to shield majority owners of Designated Entity participants from scrutiny.

In reforming the Designated Entity program, the Commission should be guided by a simple principle: A small business program must serve small business and not become a forum for corporate welfare. But real small businesses who are building mobile broadband to serve their communities do not have deep pockets, and placing too high a cap on bidding credits is only likely to encourage speculators and others more interested in profiting from this government program rather than deploying new broadband infrastructure and creating real competition.

Finally, to reiterate, we believe that the free market is the best means of promoting the public interest. Restricting free and open access to spectrum creates barriers to capital investment, innovation, deployment and puts the government in the position of picking winners and losers. As you move forward, we encourage you to carefully deliberate any rule changes. Thank you for your consideration of our views on these matters.

Sincerely,



Marsha Blackburn
Member of Congress



Robert E. Latta
Member of Congress