

FACT SHEET: FCC MOBILE SPECTRUM HOLDINGS RULES
May 15, 2014

PRO-CONSUMER STEP TO PRESERVE AND PROMOTE COMPETITION IN THE MOBILE MARKETPLACE

Wireless providers use spectrum – the invisible infrastructure used by wireless devices such as smartphones and tablets—to provide communications services.

- Access to spectrum is an essential input for the provision of mobile wireless services.
- Demand for these services has grown sharply in recent years and projections indicate continued growth (Source: FCC 2013 Mobile Competition Report).
- In order for wireless providers to meet skyrocketing demand for mobile broadband, they need to put new spectrum to use and make more efficient use of existing spectrum holdings.

Spectrum is a finite resource integral to providing mobile broadband service. No one or two providers should be able to dominate use of wireless airwaves.

- Not all spectrum is created equal: mobile providers use a mix of both low-band “coverage” spectrum, which operates at lower frequencies, and high-band “capacity” spectrum, which operates at higher frequencies.
- Low-band spectrum, below 1 GHz, is relatively scarce, and has special properties that facilitate wireless service across long distances and through barriers, such as walls. It’s very useful for deploying in rural areas and providing service in urban buildings.
- High-band spectrum, like AWS-1, has more available bandwidth, meaning that it has more data capacity, but it doesn’t travel as well over distances or through walls.
- The two largest nationwide mobile wireless providers hold a combined share of approximately 70% of all low-band spectrum licenses; the other two other nationwide providers hold a combined share of approximately 15% of all low-band spectrum licenses.

In 2012, the FCC initiated a fresh look at its mobile spectrum holding policies.

- In recent years, large and small wireless providers, as well as trade associations and public interest groups, requested that the FCC review its current policies regarding mobile spectrum holdings.
- In its review, the FCC sought comment on ensuring that its policies promote competition and provide the clarity needed to make informed investment decisions, including participation in the upcoming Incentive Auction.

For consumers, the proposed mobile spectrum holdings rules will mean more competition in more markets. All American consumers should enjoy the benefits that competition can bring: more choices of wireless providers, lower prices, and higher quality mobile services.

- More competition means a thriving mobile marketplace, offering Americans high-quality service and choice no matter where they live.
- Access to additional spectrum is necessary for smaller, regional, and rural wireless providers to be able to build their next-generation networks and deliver these offerings to consumers in both rural and urban areas.

Increasing competitive access to low-band spectrum will enhance wireless competition and service in rural areas.

- Lack of coverage and competition is a significant problem for Americans living in rural areas.
- 92 percent of non-rural consumers, but only 37 percent of rural consumers, are covered by at least four 3G or 4G mobile wireless providers' networks.
- Part of the solution requires making sure that all providers have access to much-needed low band spectrum.

MOBILE SPECTRUM HOLDINGS REPORT & ORDER

REASONABLE, BALANCED APPROACH

There are three interrelated parts to the Mobile Spectrum Holdings Report & Order:

- 1) Transaction reviews generally;
- 2) Transaction reviews involving spectrum below 1 GHz; and
- 3) Auction-specific policies.

I. Transaction rules – General

- Under the Communications Act, when reviewing any proposed spectrum license assignment or transfer application, the Commission must determine whether the proposed transaction will serve the public interest, convenience, and necessity.
- The FCC currently uses a “spectrum screen,” among other factors, when reviewing transactions to determine whether they are in the public interest.
- The current spectrum screen considers the total amount of spectrum suitable and available for mobile broadband held in a market by a wireless provider.
- The screen can trigger a more detailed competitive analysis by the FCC. Currently, the trigger occurs when a wireless provider holds approximately 1/3 or more of the available spectrum in a given market.
- The Commission will continue to use this 1/3 spectrum screen threshold and will evaluate transactions on a case-by-case basis.
- In light of recent and upcoming auctions and rule changes, the Commission added and subtracted certain spectrum bands to the screen, based on whether today that spectrum is “suitable” and “available” for mobile broadband.

II. Transaction rules below 1 GHz

- The Commission will continue to use a case-by-case review for transactions involving spectrum below 1 GHz, as described above.
- Aggregation of approximately 1/3 or more of available low-band spectrum in a market will be an “enhanced factor” in the Commission’s competitive analysis of a proposed transaction.
- The importance of this uniquely valuable spectrum for promoting competition requires this enhanced review.

III. Auction-specific policies for AWS-3 and 600 MHz/Incentive Auction.

AWS-3 (“Capacity”) Spectrum:

- In light of the relative abundance of high-band spectrum and current holdings by multiple providers, there will be no auction-specific limits; all providers would be able to bid for as much as they want, regardless of their existing spectrum holdings.

600 MHz/Incentive Auction (“Coverage”) Spectrum:

EVERY PROVIDER CAN BID FOR SPECTRUM IN EVERY MARKET; NO PROVIDER WILL BE EXCLUDED

To promote effective competition in the wireless marketplace, reasonable spectrum aggregation rules in the upcoming Incentive Auction are tailored to promote participation by both small and large providers and to ensure no one or two providers can “run the table.”

- There will be a significant amount of spectrum available to all bidders in all markets.
- To promote competition in the auction and in the marketplace, the rules establish a market-based reserve of up to 30 megahertz of spectrum targeted for providers that currently hold less than 1/3 of suitable and available low-band spectrum in a license area.
- The *actual* amount of spectrum available only to reserve-eligible bidders will be determined when bidding in the auction hits a spectrum reserve trigger that fairly distributes the responsibility for satisfying the costs of the Incentive Auction among all bidders. Specifically, the spectrum reserve trigger will occur at the point when bidding in the forward auction satisfies the final stage rule, and the total amount of licensed spectrum in the forward auction is finalized.
- When the trigger is reached, the amount of reserved spectrum in each license area will be established based on demand in that license area by eligible bidders.
- If demand for the reserved spectrum is less than the maximum applicable amount of reserved spectrum at the trigger point, the balance would be available on an unreserved basis.
- For example, if there is 100 megahertz of spectrum available in the Incentive Auction, no more than 30 megahertz would be reserved for eligible bidders. But if eligible bidders demand only 20 megahertz in a given license area when the trigger is met, then only 20 megahertz would be reserved, and 80 megahertz would remain unreserved.
- Any nationwide provider that holds approximately 1/3 or more of available low-band spectrum in a license area would be able to bid on all unreserved spectrum in that area, but would be ineligible to bid on any reserved spectrum.
- Any provider that holds less than 1/3 of available low-band spectrum in a license area would be able to bid on all unreserved spectrum, AND all reserved spectrum in that license area.
- Non-nationwide providers will be able to bid on both reserved and unreserved spectrum in all license areas.

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