



OFFICE OF  
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

May 27, 2014

The Honorable Juan Vargas  
U.S. House of Representatives  
1605 Longworth House Office Building  
Washington, D.C. 20515

Dear Representative Vargas:

Thank you for sharing your views on the importance of the Broadcast Television Spectrum Incentive Auction. The Incentive Auction is a once-in-a-lifetime opportunity to expand the benefits of mobile wireless coverage and competition to consumers across the Nation – particularly consumers in rural areas – offering more choices of wireless providers, lower prices, and higher quality mobile services, while also providing a game-changing financial opportunity to broadcasters and fully funding the Public Safety Trust Fund (PSTF) for FirstNet.<sup>1</sup> I agree that finding an approach that maximizes participation by both broadcasters and wireless providers in the auction is crucial to achieving these goals.

With increased demand for wireless services comes an increased need for spectrum. But not all spectrum frequencies are created equal. Spectrum below 1 GHz, referred to as “coverage” 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.

Today, most of this low-band spectrum is in the hands of just two providers. The lack of competition in many areas means diminished choices for millions of Americans: 92 percent of non-rural consumers, but only 37 percent of rural consumers, are covered by at least four or more 3G or 4G mobile wireless providers networks. The Incentive Auction offers the opportunity, possibly the last for years to come, to make low-band spectrum available to multiple mobile wireless providers that are willing and able to compete in markets across the Nation, including in rural areas.

Every American should be able to enjoy the benefits of a competitive mobile wireless marketplace. Accordingly, the Commission adopted the *Mobile Spectrum Holdings Report and Order* on May 15, 2014, that ensures that all who want to participate in the Incentive Auction

---

<sup>1</sup> Proceeds from the Commission’s recent H Block auction, and AWS-3 auction, to be held later this year, will also be used to fund the PSTF for FirstNet. I expect that these two auctions will nearly or fully fund the PSTF with amounts needed for FirstNet, even before the Incentive Auction in 2015.

will be able to bid and win significant amounts of low-band spectrum in every market. At the same time, the auction will preserve and promote competition by ensuring that all providers and new entrants have access to the low-band spectrum they need to compete effectively. One or two providers with significant low-band spectrum holdings will not be able to “run the table” and win all of the low-band spectrum that will be available in the auction.

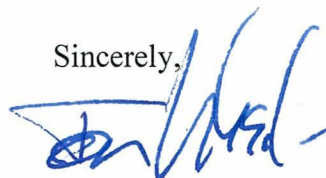
The *Mobile Spectrum Holdings Report and Order* reserves a modest amount of this low-band spectrum in each market for providers that lack significant low-band spectrum. The rules also contain safeguards to ensure that all bidders for reserved spectrum licenses bear a fair share of the cost of making incentive payments to broadcasters who voluntarily relinquish some or all of their spectrum usage rights.<sup>2</sup> The *Mobile Spectrum Holdings Report and Order* will provide benefits to all Americans and is fully consistent with the Middle Class Tax Relief and Job Creation Act of 2012, which affirmed our authority to implement any rules concerning spectrum aggregation to promote competition.

I agree that low-power television (LPTV) stations play an important role in providing information to consumers and businesses. In the Middle Class Tax Relief and Job Creation Act, Congress did not provide LPTV stations additional protections or provide an opportunity to participate in the Incentive Auction. To help accommodate some of the needs of LPTV following the Incentive Auction, the *Incentive Auction Report and Order* permits these stations to remain on their existing channels during the transition period after the Incentive Auction, unless or until notified that they interfere with the primary service. We will also open a special filing window for displaced stations to request new channels.

Additionally, we will initiate a proceeding in the near future to address other LPTV issues related to the Incentive Auction. This proceeding will explore options for LPTV to continue to serve their communities, including seeking comment on possible extension of the low power digital transition deadline and channel sharing for LPTV stations.

Thank you again for apprising me of your views on this important matter. I look forward to working with you toward our mutual goal of a successful Incentive Auction.

Sincerely,



Tom Wheeler

---

<sup>2</sup> The recent H Block auction did not include such a reserve. There also will be no reserve for the upcoming AWS-3 auction.