

Upper 700 MHz Auction the “Last Big Auction”



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FCC Second Report and Order

- FCC held Open Meeting on 7.31.07 to address revised 700 MHz Rules:
 - Spectrum Highlights:
 - 62 MHz of Spectrum divided in 5 Blocks (A,B,C,D,E)
 - Market sizes CMAs, EAs and REAGs
 - Single CMA Block – B (rural ILECs hoped for more CMAs)
 - Upper D Block Licensee and Public Safety Broadband Licensee to form a “Public Safety/Private Partnership”
 - Nationwide interoperable network to be shared between commercial and public safety users
 - Upper 700 MHz Band C Block licenses will use “package bidding” procedures (for REAGs)
 - Bidders looking at a nationwide footprint

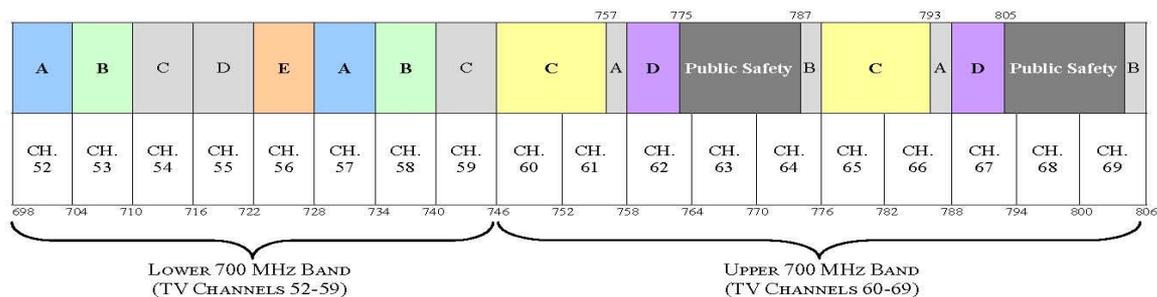


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FCC Second Report and Order

Revised 700 MHz Band Plan for Commercial Services



<u>Block</u>	<u>Frequencies (MHz)</u>	<u>Bandwidth</u>	<u>Pairing</u>	<u>Area Type</u>	<u>Licenses</u>
A	698-704, 728-734	12 MHz	2 x 6 MHz	EA	176
B	704-710, 734-740	12 MHz	2 x 6 MHz	CMA	734
C	710-716, 740-746	12 MHz	2 x 6 MHz	CMA	734
D	716-722	6 MHz	unpaired	EAG	6
E	722-728	6 MHz	unpaired	EA	176
C	746-757, 776-787	22 MHz	2 x 11 MHz	REAG	12
D	758-763, 788-793	10 MHz	2 x 5 MHz	Nationwide	1 *
A	757-758, 787-788	2 MHz	2 x 1 MHz	MEA	52
B	775-776, 805-806	2 MHz	2 x 1 MHz	MEA	52

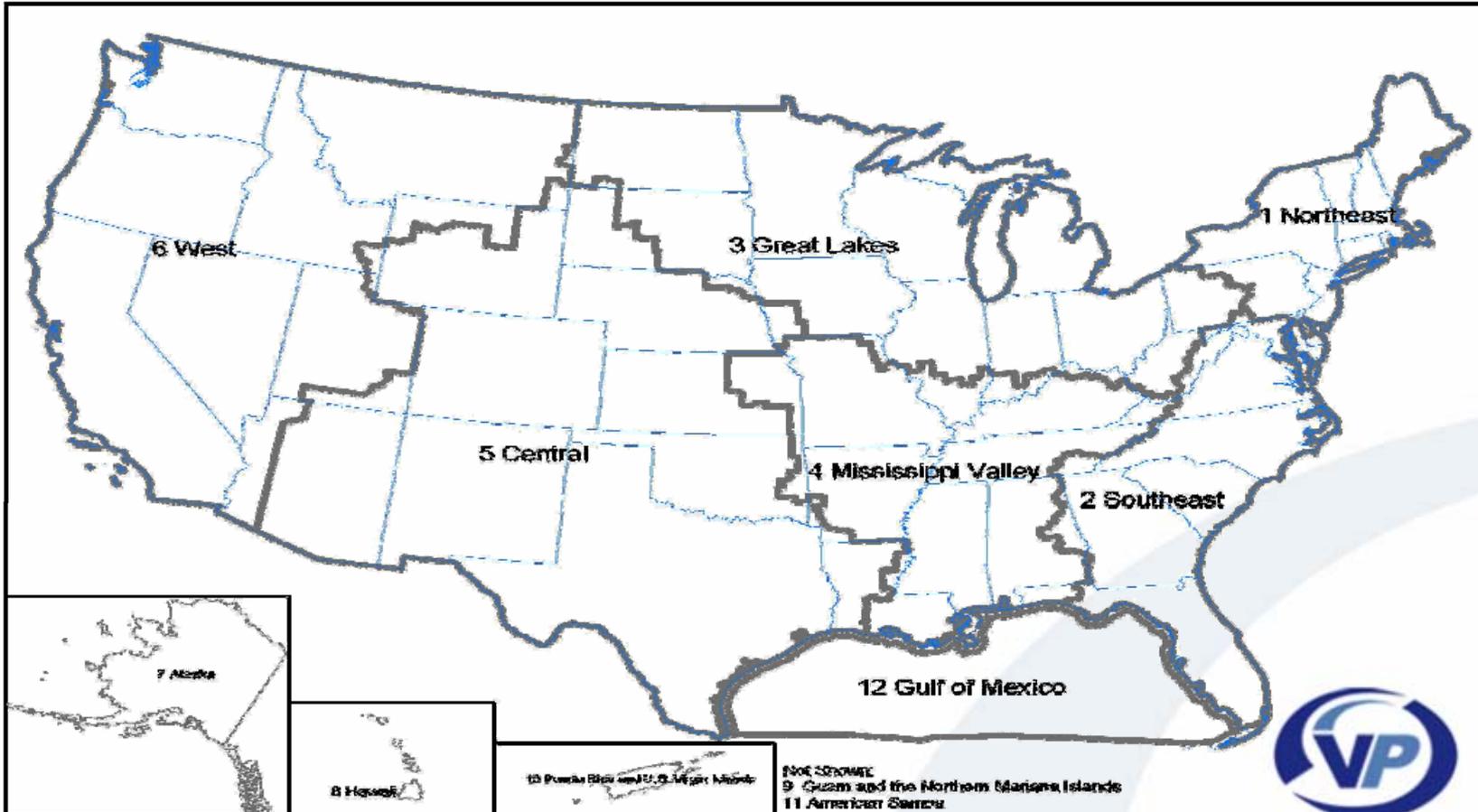
* Subject to conditions respecting a public/private partnership license.

The blocks shaded above in gray (Lower 700 MHz Band C and D Blocks and Upper 700 MHz Band A and B Blocks) were auctioned prior to Auction 73.

Last reviewed/updated 8/10/2007

12 REAG (C) Licenses

Regional Economic Area Groupings (REAGs)



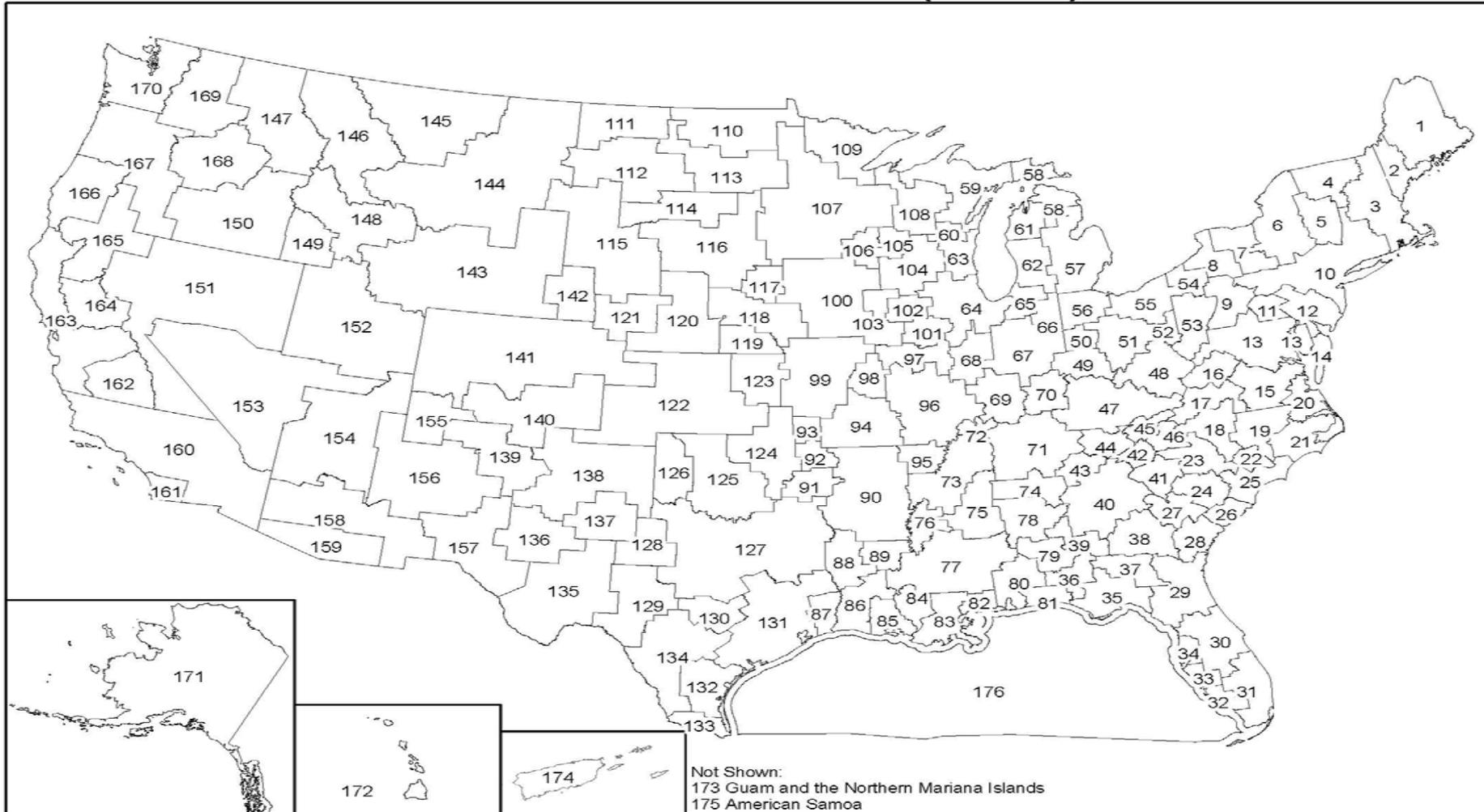
Federal Communications Commission, Wireless Telecommunications Bureau, Auctions and Spectrum Access Division



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352 EA (A & E) Licenses Economic Areas (EAs)

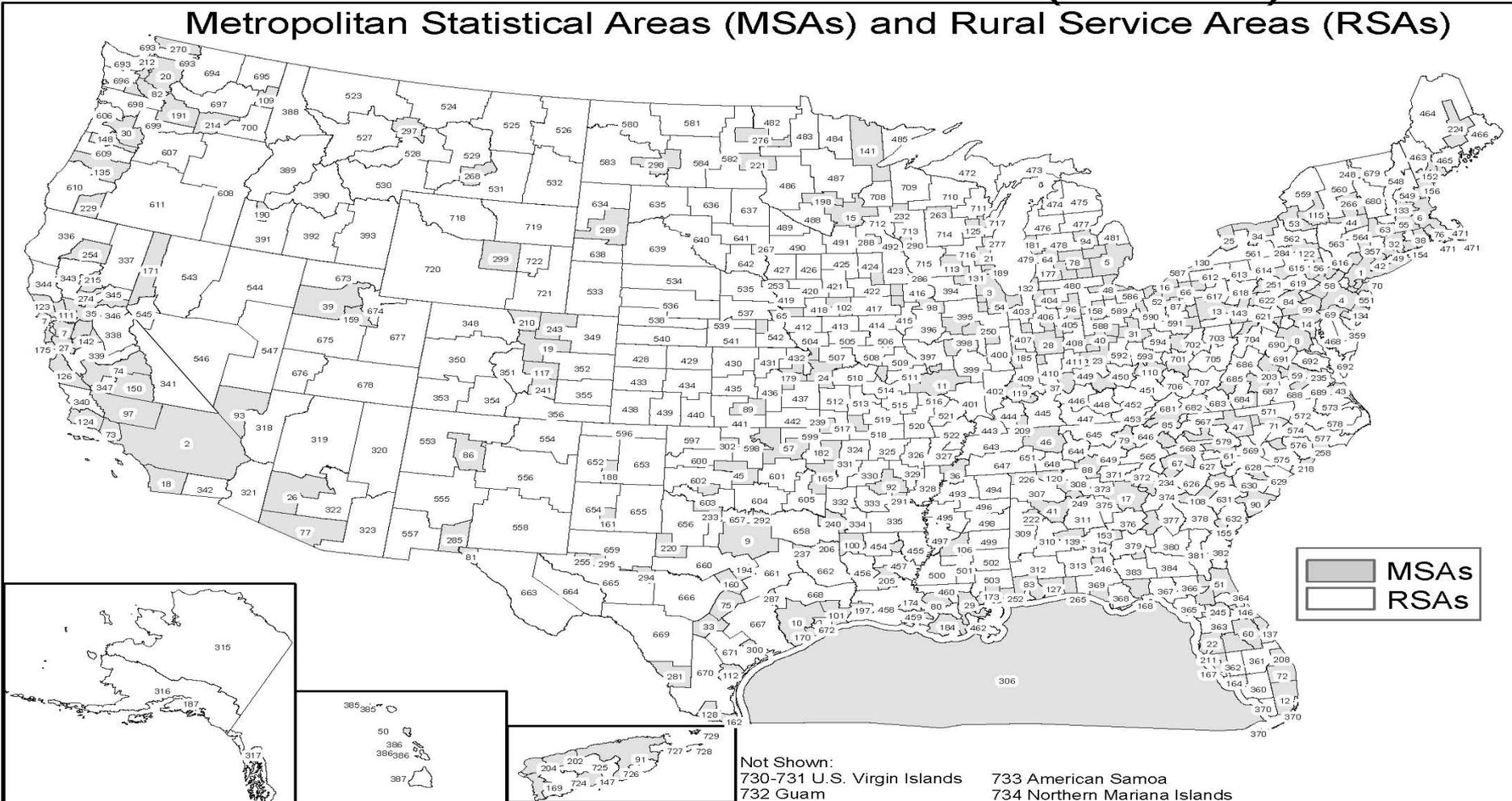


Federal Communications Commission, Wireless Telecommunications Bureau, Auctions and Spectrum Access Division

734 CMA (B) Licenses

Cellular Market Areas (CMAs)

Metropolitan Statistical Areas (MSAs) and Rural Service Areas (RSAs)



Federal Communications Commission, Wireless Telecommunications Bureau, Auctions and Spectrum Access Division

FCC Order

- New Performance Requirements
 - FCC wants to promote better use, access and provision of service, especially in rural areas
 - Build out - CMA and EA licensees are required to
 - Provide service for at least
 - 35% of licensed geographical area within 4 years
 - 70% by the end of the 10 Year term
 - Interim reports of progress required to be filed w/ FCC
 - Licensees who fail to meet requirements
 - License term reduced from 10 years to 8 years
 - Will still be required to meet 70% build out
 - If fail to meet 70% - unserved portions of license automatically reclaimed by the FCC
 - REAGs require 40% and 75% respectively



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FCC Order

- Open Access Platform
 - Licensees of Upper 700 MHz Band C Block will be required to provide a platform open to all devices and applications
 - Open Access not defined yet by FCC
 - Open Access only for the C Block
 - Wireless Carterphone like rules?



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700 MHz Auction Prices

- There are several factors that can impact auction prices:
 - Market conditions (supply & demand)
 - AWS and now upper 700 more supply
 - Large CMRS needs for 3G
 - Rural and other's needs for spectrum
 - Technical and cost advantages (reach) or disadvantages
 - Properties and vendor supply of equipment
 - Auction competition (bidding fever)
 - FCC auction rules (build out requirements)
 - License characteristics
 - Encumbrance issues



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Valuations

- Trade reports estimate \$10-\$15 Billion in revenue could be generated in 700 MHz Auction
- The House Energy and Commerce Committee received reports in 2005 which estimated value at:
 - \$1.65 per MHz-POP
 - A 26% premium was estimated for 700 spectrum v. AWS



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Minimum Reserves

- FCC has proposed minimum reserve pricing for each block
 - If the proposed aggregate reserve price is not met all licenses in that block will not be assigned

Proposed 700 MHz Band Reserve Prices

700 MHz Block	Estimated Market Value Based on AWS-1 Bids	Commission Guidance on D Block Reserve Price	Proposed 700 MHz Band Reserve Prices
A	\$1,789,485,600		\$1,807,380,000
B	\$1,360,817,520		\$1,374,426,000
E	\$894,742,800		\$903,690,000
C	\$4,591,934,600		\$4,637,854,000
D	\$1,749,031,000	\$1,330,000,000	\$1,330,000,000
Total	\$10,386,011,520		\$10,053,350,000



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Possible Auction Entrants?

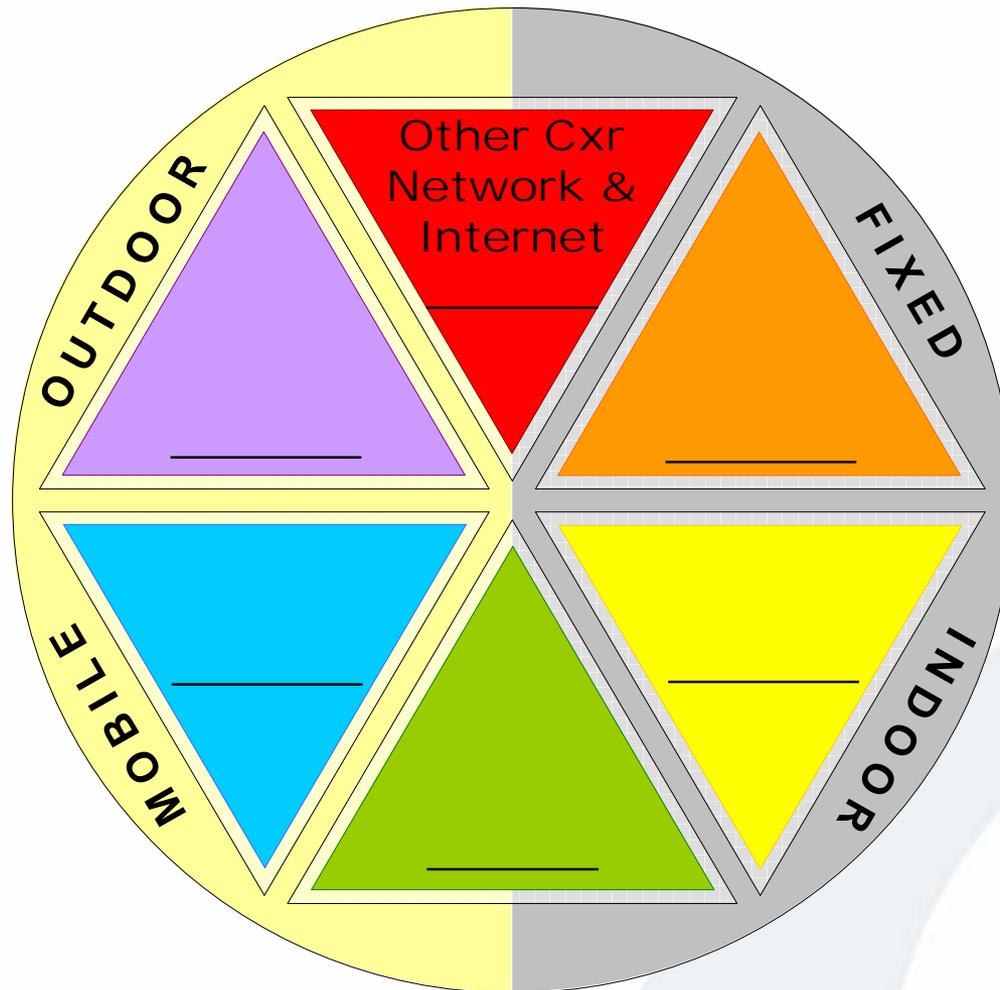
- Rural ILECs
- Midsized ILECs
- Google (pledged \$4.6 billion dollars)
- Frontline Wireless
- ATT and Verizon
- Cable Companies (Comcast, Cox, Time Warner and Cablevision)
- Clearwire - Dish Networks
- Speculators



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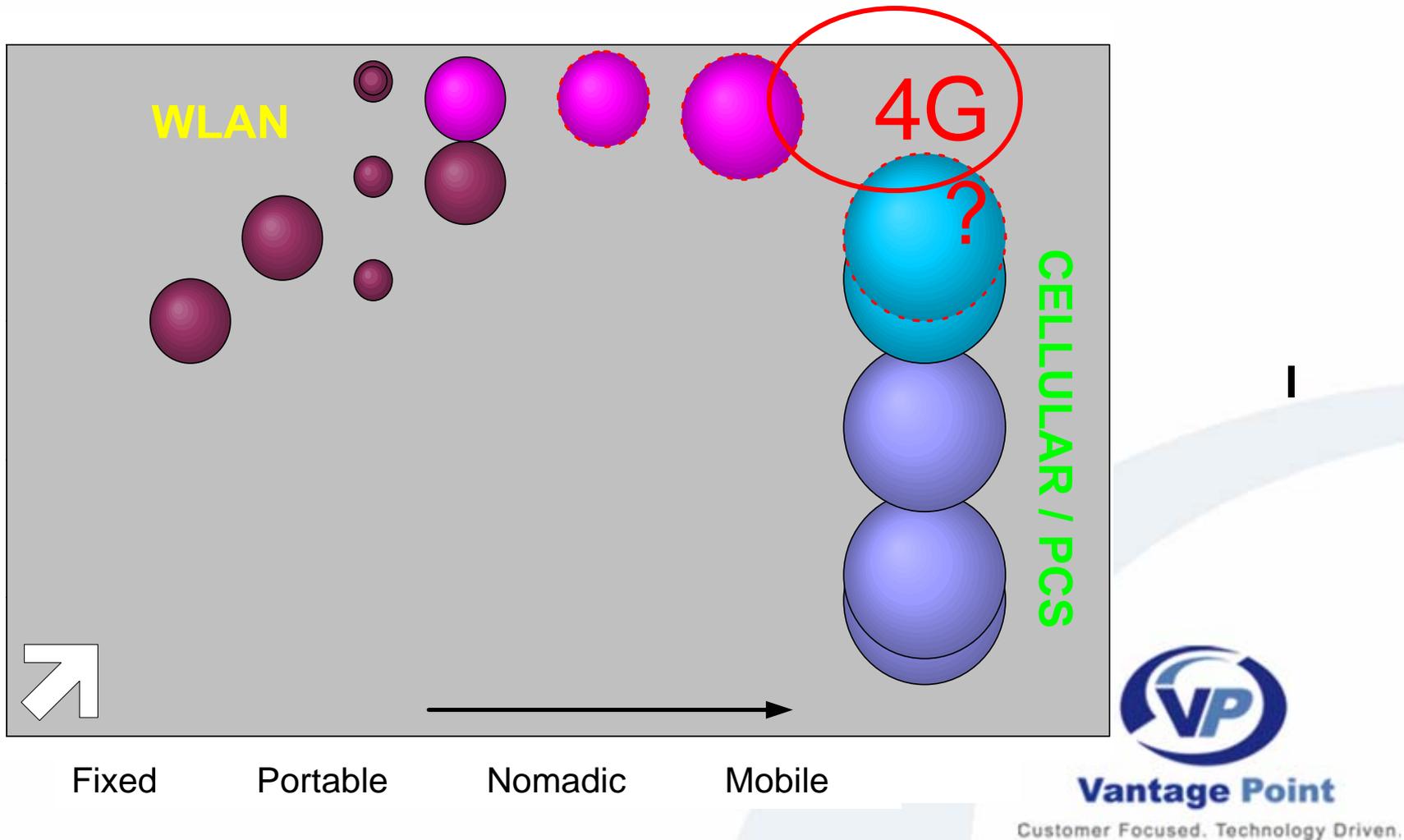
Future Wireless/Wireline Converged Networks



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Future 4G Wireless Networks



with...

- Same Features, Applications & Content on any of the “Three Screens”
- One Number / Address
- Inside or Outside
- Fixed, Nomadic or Mobile



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Summary

- Future Converged Networks are Coming
- Upper 700 MHz Auction and More Bandwidth Will Help it Happen
- Rural ILECs will Increasingly Offer More Wireless Services in Addition to Wireline Operations



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Questions?



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