

Airwaves auction may earn billions

By John Dunbar
Associated Press

WASHINGTON - High-speed Internet access, streaming video, music downloads and other special new features may soon be in store for mobile phone owners thanks to an unprecedented airwaves auction.

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The auction, conducted by the Federal Communications Commission, has attracted 168 interested bidders, each hoping to offer the next generation of wireless services.

The Congressional Budget Office estimates the sale will raise between \$10 billion and \$15 billion for the U.S. Treasury. Already, it has brought in \$4.3 billion from bidders who made payments simply to qualify to participate.

The auction, which begins today, will add badly needed capacity to the maturing cellular telephone market and allow for clearer connections and sharper pictures in addition to a host of new services. Bidders are competing for the right to use portions of the radio spectrum - a publicly owned, extremely valuable highway in the sky that allows sound, data and pictures to be transmitted from one place to another.

The FCC, in addition to conducting the auction, is responsible for making sure spectrum licensees do not interfere with one another's signals and that they use the airwaves in the public interest.

The auction may go on for weeks.

Companies will be bidding for 1,122 licenses, good for an initial term of 15 years. The licenses can then be renewed every 10 years.

While it is impossible to say who the big winners in the auction will be, the FCC's qualification process, which requires bidders to provide money up front depending on how many licenses they plan to bid on, provides a list of front-runners.

The top qualifier is Wireless DBS LLC, an alliance that includes two competing direct broadcast satellite providers: EchoStar Communications Corp. and the DirecTV Group. The bidders paid \$972.5 million.

Second was SpectrumCo, a consortium of Comcast Corp., Time Warner Inc., Sprint Nextel Corp., Cox Communications Inc. and Bright House Networks, with \$637.7 million. Third was T-Mobile License LLC, at \$583.5 million. T-Mobile is expected to be among the most aggressive bidders.

Analysts say EchoStar and DirecTV are investing in the future. Increasingly, cable television operators and telephone companies are offering bundles of services to customers that include high-speed Internet access, phone service and video while satellite companies have been limited primarily to video.

"The DBS (direct broadcast satellite) guys need a viable triple-play strategy," said Harold Feld, senior vice president of the Media Access Project. Triple play means video, voice and broadband.

The new spectrum could allow the satellite companies to offer wireless phones and broadband access. However, the costs of the auction are just the beginning.

If EchoStar and DirecTV were to build a new national cellular phone network from scratch, for example, it would require billions of dollars and take years. The joint bid has helped to fuel rumors of a potential merger between the two companies.

Feld said the cable companies may also be getting into the auction simply to drive up the cost to the satellite companies, their primary competitors. "But if they win, certainly they'll be able to put the spectrum to good use," he said.

Today's auction is the most high profile since late 2000 and early 2001, when a spectrum sale attracted \$16.9 billion

in bids.

The total amount of spectrum for auction is 90 megahertz, more than twice the amount occupied by Verizon Wireless Inc. The amount of spectrum, combined with the fact that the licenses for sale span the nation means a major new player could emerge.

"If someone wanted to put together a national footprint they could do that in this auction," said former FCC Commissioner Harold Furchtgott-Roth.

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