



**Restoring the FCC’s Well-Proven Designated Entity Program**

**To Promote Competition & Ownership Diversity in Wireless  
And Accelerate Wireless Broadband Deployment**

January 9, 2008

**BACKDROP: The Wireless / Broadband Industry Will Be Re-Shaped for Generations to Come**

- **The Broadband Stimulus Bill** – driving ubiquitous broadband coverage and creating jobs
- **The Upcoming FCC Wireless Spectrum Auctions** – likely to start in ‘09 / ‘10
  - AWS-3 – “free public broadband” via 25 MHz of spectrum nationwide
  - 700 MHz D-block – new public safety network via nationwide spectrum

**OPPORTUNITY: These Represent Unique Openings to Further Wireless Priorities**

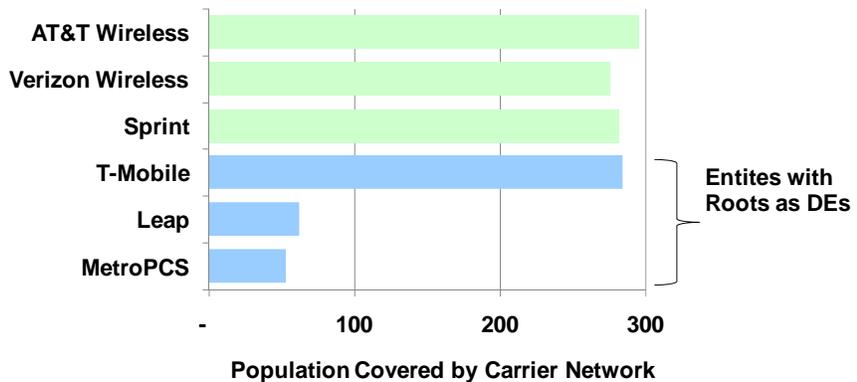
- **Rapidly Deploy Wireless Broadband with a Focus on Those Left Behind**
  - People with low incomes – disproportionately ethnic minority / rural population
  - People with limited broadband choice – particularly those not in major urban markets
- **Foster Wireless New Entrant Competition** - to advance new technologies, consumer choice
  - And check wireless industry consolidation – where 4 carriers control 90%+ of the industry
- **Address Nearly Non-Existent Diversity of Ownership in Communications**
  - 0% in wireless (where wireless is the New Media of the future), <4% in radio & TV

**PROVEN VEHICLE TO EFFECT CHANGE: The FCC’s Designated Entity (“DE”) Program**

- **Congress Mandated the FCC to Assist Small / Minority Owned Businesses in Wireless Auctions**
  - Pursuant to Section 309(j) of the Communications Act
  - Congress instructs the FCC in conducting auctions of wireless licenses:
    - To ensure widespread dissemination of licenses
      - Specifically among small, minority-owned, women-owned and rural businesses (“Designated Entities” or “DEs”)
    - To promote competition and protect against undue concentration of licenses
- **For 13 Years, until 2006, the DE Program Fostered Wireless New Entrants / Competition**
  - Via licenses reserved for DEs (“Closed” licenses)
  - And via DE bidding discounts (e.g., 25% - 35% bidding credits)

**Historical DE Auction Success Has Built 3 of the Largest U.S. Wireless Carriers**

**Top-6 U.S. Carriers  
by Population Covered**  
(in millions)  
(est. as of 6/09)





- **In 2006 FCC Chairman Martin Implemented Two DE Rule Changes with Disastrous Results**
  - Rule changes presented by Chairman Martin as last-minute, ministerial changes
  - Effectively eliminated DE auction participation

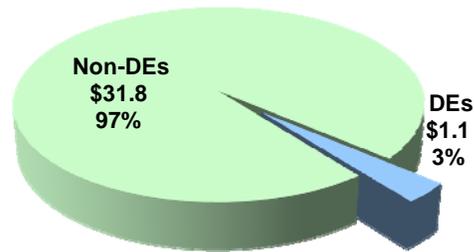
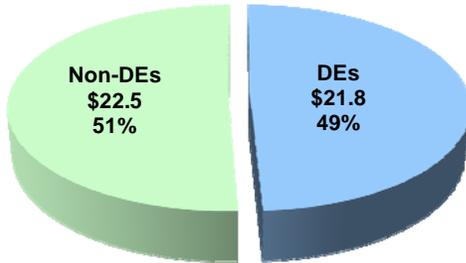
**Recent DE Auction Success, Measured by Net Winning Bids, Has Plummeted (\$ billions)**

**BEFORE DE Rule Change: 1994 – April 2006**

**AFTER DE Rule Change: April 2006 – 2008**

**\$44.3 Billion of Licenses in 64 Auctions**

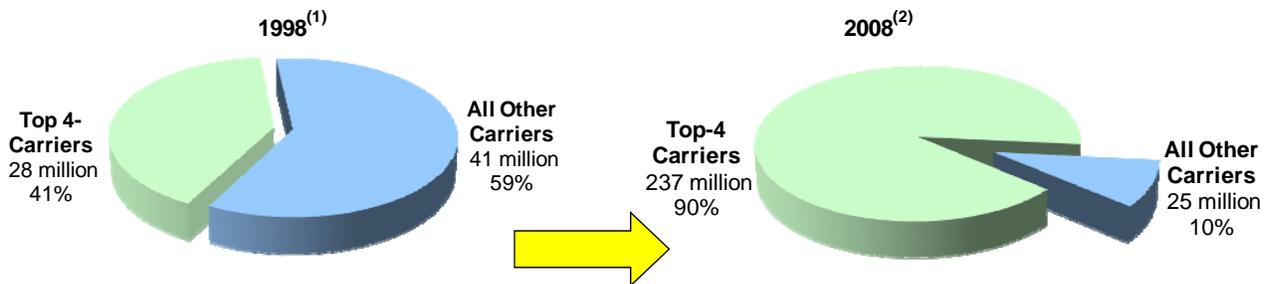
**\$32.8 Billion of Licenses, Principally Auctions 66 / 73**



- **BEFORE the DE rule change, DEs won \$22 billion (or 49%) of licenses out of \$44 billion sold**
  - Across all 64 FCC wireless auctions from FCC auction inception in 1994 through April 2006
- **AFTER the DE rule change DEs won just \$1 billion (or 3%) of licenses out of \$33 billion sold**
  - In the \$14 billion AWS Auction 66 in 2006, DEs won < 4%
  - In the \$19 billion 700 MHz Auction in 2008, DEs won < 3%
- **THE PROBLEM: Spectrum is the lifeblood of wireless, absent which new competition cannot exist**
  - And history has proven the value of seeding new carriers with new spectrum
  - T-Mobile, Leap Wireless and MetroPCS as examples

**DE Auction Failure Only Exacerbates Rapid Industry Concentration**

**Wireless Industry Subscribers**



(1) Source: FCC Fourth Annual Report and Analysis Of Competitive Market Conditions With Respect to Commercial Mobile Services. Top-4 carriers include: AirTouch, AT&T Wireless, SBC, Bell Atlantic and BellSouth.

(2) 6/30/08. Pro forma for the following completed or announced mergers: Alltel / Verizon. Top-4 carriers are Verizon Wireless, AT&T Wireless, Sprint Nextel and T-Mobile.



## **SOLUTION: Restore the FCC's Proven DE Model**

### **1. Undo FCC Chairman Martin's Harmful New 2006 DE Rules**

- Undo the 10-Year Hold Rule – and restore the traditional 5-year hold
  - Vital to DE access to capital
- Undo the New DE Limits on Wholesaling, Leasing
  - Restore DE ability to develop its business like any other carrier

### **2. Restore DE Program “Teeth” that Achieved DE / New Entrant Success Pre-2006**

- Reserve Meaningful Auction Spectrum for DE New Entrants
  - Where the FCC previously held about 1/3 of spectrum in reserve for DEs
  - Example: upcoming AWS-3 auction should be for DEs / New Entrants only
- Also, Boost the DE Bidding Credit to 50%, up from 25%
  - Giving DEs a meaningful economic tool with which to compete in auctions

➔ **(1) & (2) restore DE competitiveness in FCC wireless auctions and promote wireless industry competition and ownership diversity**

### **3. In the Stimulus Plan, provide Bonds for Broadband Network Deployment and ensure that there is a meaningful allocation for DE participation**

- Focus the Broadband Bonds on those companies, especially DEs, offering alternatives to the dominant national incumbents
  - To provide for buildout of state-of-the-art broadband networks, including wireless
- ➔ **Ensures that New Entrants and DEs have access to capital to build state-of-the-art broadband networks to meet the needs of the underserved and compete effectively with national incumbents**
- Creates jobs immediately based on rapid deployment of build plans
  - For non-investment grade new entrant companies, it fills a financing void created by the capital markets collapse