CTIA and CEA Study Finds Broadcast Incentive Auction Will Net U.S. Treasury More Than $33 Billion

CTIA – The Wireless Association® and the Consumer Electronics Association (CEA)® submitted a white paper to the Federal Communications Commission (FCC) demonstrating that the auction of 120 MHz of underutilized broadcast television spectrum will produce more than $33 billion in net proceeds for the U.S. Treasury. In addition to providing the U.S. government with deficit-offsetting revenue, such an auction will also fulfill the vision of the FCC's National Broadband Plan for continued wireless innovation and U.S. technology leadership.

Key findings from the white paper are as follows:

* The auction model projects, using conservative assumptions,that licenses auctioned in the broadcast TV band should be valued at approximately $0.978 per MHz-POP and that estimated net auction revenues would be approximately $33 billion. The paper notes that revenue may be much higher if valuations are consistent with recent auctions for similar spectrum rights.

* Only a very small percentage of the nation's broadcast stations need participate in the auction in order to address the nation's broadband spectrum shortage. Indeed in the vast majority of broadcast markets, an incentive auction will still be successful even if no broadcast stations participate. In a limited number of markets, the number of licensed broadcasters will exceed the channels that will remain available for TV use following a reallocation.

As a result, a number of potential voluntary avenues to freeing additional channels have been proposed that rely on commercial incentives, including "paying" broadcasters to exit the market through an incentive-based auction mechanism, paying broadcasters to share channels, paying broadcasters to adopt a cellularized architecture and paying broadcasters to relocate to low VHF spectrum.

* The estimated enterprise value of those broadcast TV licensees that might voluntarily surrender their channels ranges from $1.2 billion to $2.3 billion. This conservatively assumes those stations that participate in the voluntary incentive auction surrender their licenses rather than accepting lower-cost options such as channel sharing or cellularization.

* Remaining broadcast facilities operating on TV channels 31-51 would need to be relocated or "repacked" to the new core channels at TV channels 7-30. Based on National Telecommunications and Information Administration (NTIA) data, CTIA and CEA estimate repacking would cost approximately $565 million.

* After deducting the costs of voluntary exits and repacking, the estimated net

proceeds from auction of 120 MHz of broadcast TV spectrum are $33 billion. In light of spectrum valuations at recent FCC auctions, this number may be much higher. Furthermore, while incumbent broadcasters may require a price over their market value to exit (which is not considered in the analysis), the net revenues from a TV spectrum auction would still be considerable.

CTIA and CEA noted in their white paper that without the reallocation of the 120 MHz of spectrum from underutilized broadcast television stations, the National Broadband Plan cannot address the looming spectrum crisis that threatens our nation's broadband leadership.

"With support from the U.N. and thanks to the efforts of President Obama, the FCC, the NTIA and numerous policymakers, it's clear there's a recognition that our industry needs more spectrum so we can remain the world's wireless leader. Our members are willing to spend billions to purchase unused or underutilized broadcast spectrum to fuel the 'virtuous cycle' of innovation and competition. That's why this proposal is an all around win for the federal government, the wireless industry, broadcasters and most importantly, consumers who demand the best products and services," said Steve Largent, president and CEO, CTIA.

"The spectrum crisis is real and must be addressed to ensure that our innovation-driven economy can recover and thrive. Additional spectrum for licensed and unlicensed wireless broadband is crucial to our national competitiveness. A voluntary incentive auction will create jobs, enhance innovation, provide the government resources to reduce the national debt, and even give broadcasters a windfall of billions of dollars for spectrum they don't own," said Gary Shapiro, president and CEO of CEA. "CEA and its members look forward to working closely with the FCC to ensure competitive broadband and innovative new wireless services are available to all Americans."

The white paper is available for download at CE.org.

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