Wheeler Advocates for Small Carrier Participation in 700 MHz Auction

In his first major policy speech as FCC Chairman, Tom Wheeler vowed on Monday to promote competitive conditions that would enable small wireless carriers to participate fully in upcoming auctions of low-band 700 MHz spectrum to be reclaimed from television broadcasters through the incentive auction process. Although Wheeler offered no details on the FCC’s plan to promote small carrier participation in low-band spectrum auctions, observers of the event at Ohio State University say Wheeler’s remarks hint at the potential imposition of spectrum caps or other measures that would prevent Verizon and AT&T, the nation’s two largest wireless operators, from acquiring the vast majority of 700 MHz spectrum assets to be sold. Low-band channels such as those in the 700 MHz range are highly valued by wireless carriers for their superior coverage and penetration characteristics, and statistics show that AT&T and Verizon already control more than 70% of the nation’s low band spectrum resources. Emphasizing that “spectrum is finite,” Wheeler advised his audience that “a key goal of our spectrum allocation efforts is ensuring that multiple carriers have access to airwaves needed to operate their networks.” In advocating for the participation of small wireless carriers in future spectrum auctions, Wheeler pointed to a Justice Department (DOJ) paper, issued last April, which asserting that the FCC “can potentially improve the competitive landscape by preventing the leading carriers from foreclosing their rivals from access to low-frequency spectrum.” While affirming his firm belief in “the power of the marketplace,” Wheeler said, “I have seen enough about how markets operate to know that they don’t always, by themselves, solve every problem.” Meanwhile, on the subject of net neutrality, Wheeler voiced full support for open Internet rules that were adopted by his predecessor and that are now under review by the D.C. Circuit Court of Appeals. Referring to the right of broadband providers to impose data caps and engage in similar practices for legitimate purposes of network management, Wheeler acknowledged, “we are seeing the market evolve in such a way where there will be variations in pricing, there will be variations in service.” Although AT&T and Verizon declined to comment, a Sprint spokesman said he was “encouraged to hear the chairman’s focus on the promotion of effective competition,” as T-Mobile reiterated its support for “reasonable spectrum aggregation limits.” Asked by a reporter whether the FCC intends to pursue 700 MHz auction rules that would limit bids by Verizon and AT&T, Wheeler quipped: “stay tuned.”
Rockefeller Voices Concern with Role of SSAs in Broadcast Mergers

Spotlighting the growth of shared services agreements (SSAs) between broadcast station owners, Senate Commerce Committee Chairman Jay Rockefeller (D-WV) wrote to FCC Chairman Tom Wheeler on Monday to urge the FCC to postpone approval of pending broadcast radio or television mergers until the Government Accountability Office (GAO) completes its ongoing study on the use of SSAs. Through an SSA, a broadcast station licensee can essentially operate another station in the same market that it does not own. In a recent press statement, the National Association of Broadcasters (NAB) proclaimed that SSAs “result in more local news and stronger finances at struggling stations that otherwise might have gone out of business.” Critics contend, however, that broadcasters have relied increasingly on SSAs in recent years to circumvent FCC media ownership rules that limit the number of stations a single entity may own in a given market. At the request of Rockefeller, the GAO launched a study in May on the usage of SSAs and similar coordination agreements among broadcasters after various groups voiced concern about the impact of SSAs on media consolidation. While declining to take a position on any specific deal, Rockefeller stressed that the FCC “should collect all information necessary to understand the scope and effect of . . . SSAs” on pending media mergers, as he called on Wheeler “to wait to approve any pending transaction that involves SSAs or related agreements until the GAO has completed its study and issued its report.” (No timeline was given on when the GAO is expected to release its study.) Rockefeller further emphasized that, “given the current questions about the impact of SSAs on the broadcast landscape, the FCC should approach . . . pending transactions cautiously.” In defense of SSAs, an official of the NAB countered that “the pay TV lobby has targeted SSAs for one reason only: to eliminate competition from a TV provider that provides a free and local service.”

U.S. Lawmakers Take Issue with Huawei Network Deal in Korea

Concerns over the usage of network gear produced by Chinese telecommunications equipment giant Huawei Technologies for purposes of espionage were highlighted in a November 27 letter authored by Senate Intelligence Committee Chairwoman Dianne Feinstein (D-CA) and Senate Foreign Relations Committee Chairman Robert Menendez (D-NJ). The letter warns about Huawei’s recent selection as a subcontractor that would construct a nationwide LTE wireless network on behalf of South Korea’s LG Corporation. Addressed to Secretary of State John Kerry, Defense Secretary Chuck Hagel, and National Intelligence Director James Clapper, the letter spotlights government fears on the deployment of gear produced by Huawei and other Chinese firms in telecom networks of top U.S. foreign allies. Although Huawei has ascended in recent years to the top of the global market for wireless network equipment, the company’s U.S. expansion efforts have been stymied as a result of U.S. government objections to the company’s alleged ties to the Chinese military. Among other things, Huawei was blocked two years ago as a potential contractor for the “FirstNet” wireless broadband network that is slated to serve emergency first responders throughout the U.S., and Softbank’s recent acquisition of Sprint was conditioned on Softbank’s pledge to curtail deployment of Huawei equipment in the Sprint network. Asserting that the Huawei-LG deal “raises serious questions and potential security concerns,” Feinstein and Menendez described maintenance of “the integrity of telecommunications infrastructure” as a crucial factor in the relationship between the U.S. and South Korea, reminding Kerry, Hagel and Clapper that “an essential feature of our alliance are the numerous steps our militaries and our intelligence agencies are taking together to advance training and information sharing.” Sources indicate that the letter follows in the wake of a parliamentary inquiry, launched early last month by the South Korean government, through which South Korea’s minister for science and technology has pledged to respond to concerns over Huawei’s involvement in the nation’s telecommunications infrastructure. Maintaining that “Huawei is not China,” Scott
Sykes, the chief of international media affairs for Huawei, lamented that the Feinstein/Menendez letter is based on “trade protectionism, Sinophobia and discrimination based on where our headquarters are.”

SpaceX Marks First Commercial Satellite Launch

This week, commercial satellite operators were presented with a new launch service option as Space Exploration Technologies Corp. (SpaceX) completed its first-ever launch of a commercial satellite into geostationary orbit. Until Tuesday’s launch from Cape Canaveral, SpaceX—a California-based space transport firm founded in 2002 by former PayPal entrepreneur Elon Musk—had provided service primarily for NASA and the U.S. military. Since its inaugural flight in 2010, Space X’s Dragon 9 rocket has completed five launches, and the company recently became the first commercial space launch entity to deliver cargo to the international space station. On Tuesday, a Falcon 9 vehicle operated by SpaceX successfully deployed its first commercial payload, a 7,000-lb. satellite owned by SES, into geostationary orbit. Dubbed “SES-8,” the spacecraft, built by Orbital Sciences Corp., is slated to provide broadcast television and telecommunications transmission capacity to operators throughout southern Asia from the 95-degrees East Longitude orbital position. With Tuesday’s launch success, analysts anticipate that SpaceX will make competitive inroads against established commercial launch providers in the U.S., Europe and Russia that include Arianespace and the Energia-led Sea Launch venture as well as the Boeing/Lockheed United Launch Alliance, which serves the U.S. government. Out of the fifty SpaceX launches planned through 2018, more than half are reportedly for commercial satellite clients. The SpaceX manifest includes three more launches this year—two for commercial spacecraft deployments and a third to resupply the international space station. Proclaiming that Tuesday’s deployment of SES-8 “confirms [that] the upgraded Falcon 9 launch vehicle delivers to the industry’s highest performance standards,” Musk told reporters that SpaceX “remains committed to the safest and most reliable launch vehicles on the market today.”

China Awards 4G Mobile Broadband Licenses

In a development that opens new opportunities for Apple, Inc. in the Chinese wireless market, China’s Ministry of Information and Technology announced on Wednesday that it had issued fourth-generation (4G) wireless service licenses to China Mobile (CM), China Unicom and China Telecom (CT). On the heels of the government’s action, CM signed an agreement with Apple which enables CM to market the Apple iPhone for the first time. Prior to Wednesday’s deal and in spite of its ranking as the world’s largest provider of mobile phone services by subscribers, CM had been the only major Chinese carrier to lack access to the iPhone. CM’s existing third-generation (3G) network is built on proprietary third-generation (3G) “TD-SCDMA” technology that is unable to support the iPhone. While CM dominates China’s wireless market with 759 million subscribers, the company’s 3G customers account for a mere 23% of its subscriber base as compared to rivals Unicom and CT, whose 3G customers account for 42% and 54% of each company’s subscribership, respectively. (Unicom and CT, which both carry the iPhone, have constructed their networks on an international 3G standard which is capable of supporting the iPhone.) The 4G licenses issued this week authorize network operations based on the TD-LTE standard which is compatible with iPhone technology. Observers anticipate that the government will also issue licenses next year for 4G operations based on the more universally-accepted FDD-LTE standard, and a spokesman for CT affirmed that his company would apply for an FDD-LTE authorization “as soon as practicable.” Meanwhile, while declining to specify a projected launch date for future 4G network operations, officials of CM confirmed that the carrier will “collaborate with the supply chain to make an all-out effort to push forward the construction and operation of 4G mobile communications.”
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