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Hammerman: Lawmakers See Big Money in Spectrum Auction

Congress is pressuring the FCC to ensure the planned 700 MHz sale raises as much money as possible. *By Ted Hammerman*

for Office.com

Aug. 16, 2000— In the early decades of the 20th century, wireless spectrum was left unregulated. When Congress passed the Radio Act of 1912, it granted the government the authority to allocate licenses among users for specific purposes.

During the '80s and '90s, Congress and the FCC began to realize that the cost and delay associated with comparative hearings and lotteries, which were the processes that previously allocated spectrum, demanded a solution.

In 1993, Congress finally gave the FCC authority to auction certain parts of the spectrum for commercial use. Compared with the earlier methods of assignment, auctions are faster, less costly to the public, and produce more federal revenues. Before the government instituted auctions, it simply allocated spectrum for free, giving away public resources valued at billions of dollars.

Now, auctioning the nation's airwaves is heralded as a regulatory coup by big business.

Via these agencies, the sale of spectrum enables the government to bring bandwidth into the hands of private business best able to develop its use through emerging growth industries and innovative technologies and services.

To date, more than 30 auctions have resulted in the issuance of thousands of new licenses, collecting billions for the U.S. Treasury.

Eliminating spectrum scarcity has resulted in price reductions in mobile telephony, unprecedented wireless investment, and the introduction of new services. Advances in microchip designs, integration of more transistors into single chips, improved design of radio frequency systems and new antenna technology led to the creation of better systems at higher frequencies, which in turn, allowed more use from the same space.

Auctions also make tens of billions of dollars available for deficit reduction or taxpayer relief. Postponing a lucrative auction like the 700 MHz auction delays paying off national debts. It also gives the TV stations currently licensed to broadcast in this area a little more time to give up their

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About this project: America is facing a big-time space crunch when it comes to spectrum. Office.com takes an in-depth look at this complex problem.

valuable air space.

One of the problems with the 700 MHz auction is that broadcasters aren't required to give up their allocations until 2006 when they will be required to transfer to digital signal transmission. Congress' original intent was to give new bidders the rights to use this spectrum now.

In the case of the 700 MHz auctions, the funds were to be deposited into the U.S. Treasury by Sept. 30. Congress also pressured the FCC to make sure this auction is a big money-making activity for the Treasury.

The decision to delay the auction was requested by members of Congress but made by the FCC. Congress feared that an early auction would fail to maximize government revenue. So last week, the commission delayed the 700 MHz auction, stating that technology wrinkles within the spectrum need to be ironed out.

Next page: Fears of depressed auction prices

Because TV broadcasters are not vacating the spectrum for several more years, this delay has depressed anticipated auction prices. A more definite date of when the spectrum will be available could boost auction prices.

In time, as technology improves and spectrum use becomes more efficient, these prices will rise. But not many entrepreneurs are going to gamble billions now for the hope of making more in six years.

Smaller businesses affected by the auction delay should be patient. Some of these slices of air are too expensive for them to bid on.

Smaller companies should view the delay as an opportunity to refine their business strategies, look for new ways to profit off of the larger bidders' caches of spectrum and attempt to form more strategic alliances.

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