



May 19, 2015

VIA ECFS

Chairman Tom Wheeler
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, DC 20554

RE: Expanding the Economic and Innovation Opportunities of Spectrum through Incentive Auctions, GN Docket No. 12-268; Policies Regarding Mobile Spectrum Holdings, WT Docket No. 12-269; Comment Sought on Competitive Bidding Procedures for Broadcast Incentive Auction 1000, Including Auctions 1001 and 1002, AU Docket No. 14-252

Dear Chairman Wheeler:

The democratizing influence of Internet distribution has unleashed innovation, competition and choice across industries. In filmed entertainment, a market long dominated by a handful of large media companies that control nearly all the television content available to American audiences, Internet distribution has brought forth new market entrants that are quickly becoming viable competitors to traditional programmers. The result is a more diverse and independent video market with increased opportunities for content creators and enhanced choice for consumers.

The new video competition enabled by Internet distribution, however, remains limited to wireline broadband services because of the cost of wireless data plans, particularly those offered by the dominant carriers, AT&T and Verizon. Consumers may use wireless data plans for a small amount of video consumption, but it is not economically feasible to substitute all television viewing—currently averaging 149 hours a month—with mobile video. Verizon estimates that an hour of streaming HD video on a 4G tablet uses 1 GB¹ of data and an hour of streaming video on a smartphone requires 250 MB for a 3G phone and 350 MB for a 4G phone.² AT&T estimates

¹ *Data Calculator*, Verizon, <http://www.verizonwireless.com/b2c/splash/dataShareCalculator.jsp> (select “Tablet” on “Add A Device” drop-down menu; then click on “Tablet” button after it appears; scroll down to “How much data does a 4G Tablet use?”).

² *Id.* (select “Smartphone” on the “Add A Device” drop-down menu; then click on the “Smartphone” button after it appears; scroll down to “How much data does a 3G/4G Smartphone use?”).

that an hour of HD streaming on a tablet or smartphone uses 900 MB of data.³ Based on this information, even watching an hour of mobile video a day would be cost-prohibitive for most consumers. Verizon customers would need to purchase 10 GB of data for a smartphone at \$80 per month or 30 GB for a tablet, costing \$185 per month, which does not include device charges.⁴ An AT&T subscriber would need 26 GB of data to watch 30 hours of HD video per month at a cost of \$225 plus device charges.⁵

There is a clear market for mobile video consumption. In 2014, IDG Global Solutions estimated that nearly three-quarters (74%) of consumers used smartphones to watch online videos. Earlier this year, Gartner projected that mobile video traffic would increase 59% in 2015 and would account for over 60% of all mobile data traffic by 2018.⁶ Already, market research firm Frank N. Magid Associates estimates that 45% of smartphone users watch long-form TV, movies and sports on their phones.⁷ But the cost of wireless data plans has restrained consumption. The expense of wireless data plans means consumers must frequently use a WiFi connection to offload data, which limits when and where they may watch mobile video and will ultimately limit the potential of the online video market. Nielsen reports that consumer usage of applications or Internet browsing on a smartphone grew to more than 43 hours per month in the fourth quarter of 2014, an increase of more than nine hours compared to the fourth quarter of 2013.⁸ In contrast, video watched on a smartphone increased by only 19 minutes over the same period.⁹ As more time is spent on mobile devices, consumers that rely on wireless networks to access data-intensive applications are at risk of being left behind.

Unfortunately, as more spectrum has become available, wireless data has not become appreciably more affordable. The lack of competition in the wireless market allows the dominant carriers to keep prices high and the lack of pro-competitive safeguards has only exacerbated the problem. The result is that AT&T and Verizon currently control 73% of low-

³ *Smartphone Data Calculator*, AT&T, <http://www.att.com/att/planner/> (Click “Select Device” button and select “Smartphone”; then click “Estimate my monthly usage in detail” button and scroll down to “Data Legend for Smartphone”); *Tablet Data Calculator*, AT&T, <http://www.att.com/att/planner/> (Click “Select Device” button and select “Tablet;” then click “Estimate my monthly usage in detail” button and scroll down to “Data Legend for Tablet”). AT&T estimates an hour of streaming standard definition video requires 240 MB and an hour of high definition video requires 900 MB. Consuming 149 hours of video would require 40 GB for SD and 131 GB for HD.

⁴ Verizon charges a \$40 device fee for smartphones and a \$10 device fee for tablets. *The MORE Everything Plan*, Verizon, <http://www.verizonwireless.com/landingpages/more-everything/> (Scroll down and select tab “2 Add Phones & Devices Device Details & Pricing”).

⁵ *Smartphone Data Calculator*, AT&T, <http://www.att.com/att/planner/> (Click “Select Device” button and select “Smartphone;” then click on “Monthly Usage” arrow and move it to the right until it reaches 26 GB).

⁶ Nathan Eddy, *Verizon Buys AOL For \$4.4B To Bolster Video*, InformationWeek (May 12, 2015), [http://www.informationweek.com/it-life/verizon-buys-aol-for-\\$44b-to-bolster-video/d/d-id/1320383](http://www.informationweek.com/it-life/verizon-buys-aol-for-$44b-to-bolster-video/d/d-id/1320383).

⁷ SNL Kagan, *Economics of Mobile Programming* (SNL Kagan, 2014), 5.

⁸ Nielsen, *The Total Audience Report, Q4 2014*, 12, Table 3, “Monthly Time Spent by Medium, Users 2+ in Hours: Minutes,” <http://www.nielsen.com/content/dam/corporate/us/en/reports-downloads/2015-reports/total-audience-report-q4-2014.pdf>.

⁹ *Id.*

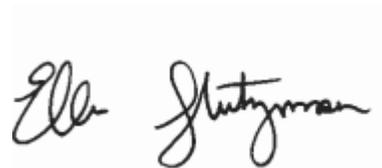
band spectrum in the United States, and the outcome of the recently completed AWS-3 spectrum auction provides strong evidence to suggest this imbalance will only increase if changes to the auction process are not made.

Fortunately, the FCC has the opportunity to improve auction procedures to promote wireless competition. We urge the Commission to adopt a spectrum reserve of at least 40 megahertz in the upcoming 600 MHz auction to ensure competitive access to valuable low-band spectrum. Improving the pro-competitive spectrum reserve will promote a more competitive wireless market and help accelerate the growth of the online video market. As Chairman Wheeler recently noted, “What incentivizes broadband companies the most has little to do with regulation; it’s whether they face the threat of competition.”¹⁰

Improving the 600 MHz spectrum reserve is particularly important because, if the Commission approves AT&T’s pending acquisition of DirecTV, AT&T will become the nation’s largest multichannel video programming distributor (MVPD) and Verizon will move up to become the nation’s fifth largest MVPD. As major distributors of traditional video programming, both companies have strong incentives to keep wireless data prices high and limit the attractiveness of mobile video alternatives.

The recent actions of this Commission to increase broadband benchmark speeds, promote municipal broadband initiatives and keep the Internet open make good on the promise of promoting competition. Promoting competitive access to low-band spectrum through an improved spectrum reserve in the upcoming auction is the natural progression of this agenda and will encourage the development of a more competitive wireless market.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Ellen Stutzman". The signature is written in a cursive, flowing style.

Ellen Stutzman
Director of Research & Public Policy
Writers Guild of America, West

cc: Commissioner Mignon Clyburn
Commissioner Jessica Rosenworcel
Commissioner Ajit Pai
Commissioner Michael O’Rielly

¹⁰ FCC Chairman Tom Wheeler, Remarks at Broadband Communities Summit (April 14, 2015), http://transition.fcc.gov/Daily_Releases/Daily_Business/2015/db0414/DOC-332988A1.pdf.