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**Statement of Mark Cooper, Director of Research
on Verizon's Purchase of Comcast's Spectrum Licenses**

"Good Deal For Verizon, Bad Deal For American Consumers"

Today Verizon announced a deal to pay \$3.6 billion to buy spectrum from the largest cable companies, who had purchased it intending to enter the wireless business. Instead, they will launch a venture to jointly develop and market products with the cable companies, effectively ending any prospect for serious head-to-head competition in the cable-telco space. The deal signals bad news for consumers, who can expect:

- Higher prices for video, fewer choices and higher prices for wireless.

Verizon was supposed to be the great competitor for Comcast in the video space; while Comcast has been looking for a wireless play to match the Verizon bundle. That won't happen with this deal.

- The auctioning of spectrum has totally failed to promote competition in wireless.

With this purchase, almost 75 percent of the spectrum auctioned in the last decade has ended up in the hands of the top two wireless firms (AT&T and Verizon) and 90 percent with the top four firms.

Ironically, this spectrum grab by the largest wireless provider comes one day after the Republicans in the House Energy and Commerce Committee slammed the door on any hope for future vigorous competition in the wireless sector by foreclosing the continued development of unlicensed spectrum. Unlicensed spectrum allows consumers to share the public airwaves without having to pay a cellular company like Verizon or AT&T. The Republican bill voted out of Committee on a partisan basis puts the kibosh on this consumer-friendly approach because it

- requires that all future spectrum be auctioned to the highest bidder under rules that guarantee the largest telcos will get it;
- precludes any high-quality spectrum from being set aside for shared use; and
- prevents the Federal Communications Commission from putting public interest obligations on the licenses to be auctioned.

This goes beyond corporate welfare to become crony capitalism^{a/} that will cost consumers dearly, (as we showed in our recent analysis (*The Consumer Benefits of Expanding Shared Use of the Public Airwaves*, www.consumerfed.org/pdfs/Consumer-Benefits-of-Shared-Use-Spectrum.pdf))

Over the past decade consumer benefits from shared use spectrum have grown to \$50 billion per year with the development Wi-Fi technologies they can use to create in home networks and access hundreds of thousands of hot spots across the nation. The next generation of innovation that would flow from the shared use model, if it had access to high quality spectrum, would be even greater – extending the reach of broadband home networks and the coverage of hot spots to all areas of the country.

Businesses and governments have begun to use unlicensed spectrum for intensive internal and machine-to machine communications, monitor health care and critical systems like energy and water consumption, tagging assets and inventory, implement pay and go systems, among other uses. Refusing to make more spectrum available for shared use will force them to negotiate with and pay wireless companies for access to the spectrum that could be shared, stifling innovation, reducing economic growth and slowing job creation.

The Consumer Federation of America is an association of nearly 300 nonprofit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education.

^{a/}**Crony capitalism** is a term describing a capitalist economy in which success in business depends on close relationships between business people and government officials. It may be exhibited by favoritism in the distribution of legal permits, government grants, special tax breaks, and so forth (http://en.wikipedia.org/wiki/Crony_capitalism)