Carving Up The Wireless Spectrum
Ex-FCC Chief Says Nation Needs a Faster Network

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For Reed Hundt, iPhones couldn't have come along at a better time.

Consumers snapped them up last weekend, giving the former Federal Communications Commission chairman a chance to show what the country lacks: a nationwide network open to all mobile phones and other devices.

That kind of network is exactly what Hundt wants his latest venture, Frontline Wireless, to build, despite steep odds.

Using AT&T's wireless network, which is slow compared with other services, to power iPhones is "like inventing a Ferrari for a country of dirt roads," Hundt said last week. "We have a pokey, ancient network because we don't have a private company like Frontline forcing everyone to keep up."

Hundt, who led the FCC during the Clinton administration, is the vice chairman of Frontline. Frontline is one of several companies vying for a piece of the coveted spectrum will be auctioned off early next year after it is abandoned by television broadcasters as they move to digital programming. But Frontline's efforts face stiff competition from well-established and deep-pocketed telecom giants who have deployed armies of lobbyists on their behalf.

With his candid manner, the Chevy Chase consultant has spent the past six months trumpeting the benefits of his company's proposal, which he says would increase competitiveness in the wireless industry and create a nationwide network for police and firefighters.

At the FCC, Hundt made his mark by launching the first spectrum auction, in the mid-1990s. Now he is on the other side of the gavel as a contender for choice airwaves about to be auctioned. An adviser with McKinsey & Co. and a director on the board of Intel, Hundt brings both political and technological clout to his efforts to tweak the auction rules, now under consideration by commissioners.

Frontline is headquartered in Greensboro, N.C., where chief executive and wireless entrepreneur Haynes Griffin resides. The company's lobbying is led by Hundt from a small office in the District.

The spectrum that will be auctioned off is considered prime real estate for wireless broadband because it transmits signals through walls and across rural areas. As a result, phone and cable companies have a strong incentive to pay top dollar to secure as much spectrum as possible. Federal officials estimate the auction will yield as much as $20 billion.

Hundt and his partners at Frontline want to create a public-private partnership for a national network that
would compete against AT&T and Verizon. In addition to operating commercially, the proposal would carve out a piece of spectrum to create a public safety network that would give priority to first responders in an emergency.

"This is biggest privatization of public property in history," he said. "We're asking the FCC to place conditions on the sale of the license, just like zoning on real estate."

He is the first to admit that it will be an uphill battle, but he's put together a heavy-hitting team of tech industry veterans to help promote -- and, more importantly, fund -- Frontline's prospective network. Among the backers are venture capitalists Ram Shriram, an early Google investor; Jim Barksdale, who was chief executive of Netscape; and L. John Doerr, who has led investments in such companies as Amazon and Symantec. The company says it has $3 billion in hand and is prepared to raise up to $10 billion more in the next five years.

Frontline is also trying to amass political clout. The company has tapped Janice Obuchowski, who was a telecommunications policy official in the George H.W. Bush administration, as chairman. Mark Fowler, who was FCC chairman under President Ronald Reagan, also joined as an investor.

Founded in February, Frontline is a latecomer to the auction. The upstart needs as much financial and political support as it can muster as it goes head-to-head against deep-pocketed phone companies AT&T and Verizon, both of which oppose Frontline's proposal for an open-access network but have not publicly discussed their plans for the spectrum. Hundt has challenged both companies to debate the merits of his proposal.

"You don't like our plan? Then what's your plan?" Hundt said, throwing his hands up in the conference room of the firm's 13th Street office. "We're not trying to tug at Superman's cape here. We're just saying, 'Come give us an alternative.'"

Frontline's proposal is gaining traction in the FCC, due in part to Chairman Kevin Martin's favorable comments about it during last month's open meeting. Internet giants like Google and public-safety contractors like Northrop Grumman have stepped behind Frontline's plan. And key lawmakers, including Rep. John D. Dingell (D-Mich.), chairman of the Energy and Commerce Committee, and Rep. Edward J. Markey (D-Mass.), chairman of that panel's subcommittee on telecommunications and the Internet, have also shown support.

But there are plenty of critics. Last week, 12 Republicans and four Democrats on the House Energy and Commerce Committee sent a letter urging the FCC to reject the plan, calling it an "eleventh-hour proposal" that is "short on specifics, leaving doubt whether the business plan and proposed network will really work."

While some analysts say winning the auction is a long shot, Frontline could clear the first hurdle of getting its ideas for a nationwide open network and public safety access written into the auction rules, which are expected to be released this month.

"You see more and more companies coming out in support of this," said Rep. Charles W. "Chip" Pickering Jr. (R-Miss.), who is on the commerce committee. He said the biggest opposition will come from AT&T and Verizon, "but the competitive benefits of this proposal can dramatically change the wireless marketplace over the next five to 10 years."
Spurring innovation was the main reason Shriram became Frontline's first investor.

"My interest in this was sparked by the desire to help the next little Google in a garage that doesn't have access to a wireless network to deploy their service," he said.

But Frontline's opposition is formidable, Hundt acknowledged. And he knows what it's like to have an auction go wrong. In 1996, Hundt oversaw the auction of spectrum licenses to NextWave Telecom for more than $4 billion. But the company went bankrupt before it could paid the bill.

"When you hold an auction that is an economic catastrophe, you spend the rest of your life apologizing for it," he said.

Blair Levin, who was Hundt's chief of staff at the FCC and is an analyst at Stifel Nicolaus, said Frontline has a slim chance of winning the auction. But Hundt's efforts may help pave the way for a national network that benefits both commercial carriers and public safety workers.

"I don't think he will succeed," Levin said, "but he has moved the ball extraordinarily far."

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