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BRATTLE GROUP REPORT ESTIMATES \$18 BILLION IN IMPLICIT U.S. GOVERNMENT SUBSIDIES PROVIDED TO COMMERCIAL GPS INDUSTRY

Washington, DC, June 23, 2011. A report issued today by Coleman Bazelon, a principal of *The Brattle Group*, shows that the commercial Global Positioning System (GPS) industry has received an estimated \$18 billion in implicit subsidies from the U.S. government and is essentially using the GPS satellite network at no cost. In contrast, commercial wireless broadband providers must invest billions of dollars in building and maintaining a network of transmission sites and satellites, and ensuring there is no interference with GPS receivers.

Commercial GPS device manufacturers enjoy this substantial implicit government subsidy by offering services and applications that utilize the GPS satellite network, according to the report. Dr. Bazelon estimates the total value of this subsidy to be worth \$18 billion to U.S. commercial GPS users, or just over half the amount of the \$35 billion devoted to GPS by the government. This subsidy is essentially equal to the costs the GPS industry would incur if it were to build and operate a U.S. commercial satellite system on its own for 30 years.

“By using the GPS satellite network free of charge, commercial GPS device manufacturers enjoy substantial benefits at no cost,” the report states. “In order to offer the same geo-location services they do today without the U.S. GPS satellite network, these commercial users would have to rely on some equivalent system. This is a cost that the commercial GPS users do not face, because the federal government allocates valuable spectrum for GPS transmissions and invests in GPS satellite infrastructure and operations, but does not charge commercial users for the use of the spectrum or these GPS services.”

The report also concludes that by making use of otherwise underused spectrum, LightSquared’s proposed 4GLong Term Evolution (LTE) network would introduce broadband wireless services worth approximately \$12 billion in value to the economy and \$120 billion in benefits to consumers. Derailing LightSquared’s deployment of LTE would cause significant economic harm, the report added.

The report notes that by failing to deploy receivers with sufficient filters, the GPS industry essentially uses LightSquared’s L-Band spectrum beyond the GPS allocation. Fixing this problem through the deployment of better filters in GPS devices will add some costs to the GPS industry, but those costs would only be a fraction of the \$120 billion in benefits that would be created by LightSquared’s deployment of its LTE network.

The report, “GPS Interference: Implicit Subsidy to the GPS Industry and Cost to LightSquared of Accommodation,” was sponsored by LightSquared, the first wholesale provider of nationwide 4G LTE wireless broadband services that incorporate satellite coverage, and is available for download at www.brattle.com.

About *The Brattle Group*

The Brattle Group provides consulting services and expert testimony in economics and finance to corporations, law firms, and public agencies worldwide. Areas of expertise include antitrust and competition, valuation and damages, utility regulatory policy and ratemaking, and regulation and planning in network industries. For more information, please visit www.brattle.com.

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