



# NEWS

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This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action.  
See MCI v. FCC, 515 F.2d 385 (D.C. Cir. 1974).

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## **FCC'S OFFICE OF PLANS AND POLICY RELEASES STUDY PROPOSING A RAPID TRANSITION TO MARKET ALLOCATION OF SPECTRUM**

### ***Study Proposes Two-Sided Spectrum Auction with Voluntary Participation by Incumbents***

Washington, D.C. – The Federal Communications Commission's Office of Plans and Policy (OPP) today released OPP Working Paper No. 38, "A Proposal for a Rapid Transition to Market Allocation of Spectrum." Written by Evan Kwerel and John Williams of OPP, the paper proposes a methodology for efficiently restructuring a large amount of encumbered spectrum.

The paper proposes that the FCC reallocate spectrum to flexible use and organize large scale, two-sided auctions in which encumbered spectrum, *voluntarily* offered by incumbents, would be auctioned together with presently unassigned spectrum. By making highly complementary spectrum available in a single auction, the reallocated bands could be quickly and efficiently restructured.

OPP periodically issues working papers on emerging issues in communications in order to stimulate debate. These papers represent the individual views of their authors and do not necessarily reflect the views of the FCC, any FCC commissioner, or other staff.

The authors argue that simply granting incumbents flexibility in the use of their spectrum is not sufficient to ensure the transition to an efficient market allocation. It would not solve coordination problems that can arise when all relevant spectrum is not available simultaneously for purchase. Their proposal is intended to create a strong positive incentive for incumbents to participate in band restructuring auctions.

Under the proposal, incumbents would have two basic choices. They could choose not to participate and continue with their current use without any additional flexibility. Or they could participate and be granted immediate flexibility in their presently occupied spectrum and be allowed to keep the auction proceeds from the sale of their spectrum. By participating, incumbents would share in both the increased value from flexibility and the value created by a

rapid and efficient restructuring of the spectrum. Incumbents participating in a band-restructuring auction would be permitted to buy back their licenses in the auction. This would provide them flexibility at no cost to themselves, since they would keep the amount bid for their license. But, a useful purpose would still be served because buying back a license would make the incumbent explicitly face the opportunity cost of keeping its spectrum.

The paper provides several specific examples of bands in the 300 to 3000 MHz range where this approach might be usefully be used. Applying this proposal to all the bands identified would provide a specific market mechanism for rapidly restructuring an additional 438 MHz in the 300 to 3000 MHz range so that it is in highest valued use.

The paper discusses the policy changes necessary to implement an efficient spectrum market, and the desirable attributes that any transition mechanism should possess. The paper is intended to stimulate further discussions by putting forward a transition proposal based on creating strong positive incentives to participate in a spectrum market and building on the Commission's successful experience with auctions.

The full text of the paper is available at [www.fcc.gov/opp](http://www.fcc.gov/opp). OPP contact: Evan Kwerel (202) 418-2045 or John Williams (202) 418-2050.