



## FEDERAL COMMUNICATIONS COMMISSION

August 3, 2011

JULIUS GENACHOWSKI  
CHAIRMAN

Honorable John D. Dingell  
U.S. House of Representatives  
2328 Rayburn House Office Building  
Washington, D.C. 20515

Dear Congressman Dingell:

Thank you for your recent letter regarding the Commission's work to free up spectrum necessary to help drive our economic growth and ensure that our nation continues to lead the world in mobile broadband. I am pleased that you have proposed legislation that grants the Commission authority to conduct voluntary incentive auctions to help meet these goals. If authorized with the proper flexibility, voluntary incentive auctions will provide a market-based mechanism to address the Nation's rapidly growing need for spectrum; strengthen free, over-the-air television; yield many billions of dollars for the U.S. Treasury and lead to the creation of thousands of jobs and billions of dollars of private investment.

Without incentive auction legislation, we will soon face a desperate shortage of spectrum for mobile broadband and, as a result, will fall behind our global competitors in this area of vitally important economic and technological opportunity. Without more spectrum for mobile broadband, hundreds of millions of consumers who rely on wireless devices every day for business, communications with family and friends and entertainment will experience dropped connections, slow data speeds and needlessly high prices for data. Mobile broadband can power innovations in areas like public safety, education, health care and energy – including 21<sup>st</sup> century devices that can help police and firefighters save lives – digital textbooks and software that can help teachers teach and students learn – remote monitoring technologies for people with diabetes or heart disease – and smart-grid technologies that can reduce energy costs and increase energy security. This is why 112 economists from across the political spectrum have endorsed incentive auctions, stating that giving the FCC incentive auction authority "with flexibility to design appropriate rules would increase social welfare."

In your letter, you posed a number of questions about the Commission's Allotment Optimization Model (AOM). As you know, the AOM is a tool that Commission staff is developing to assist the Commission in conducting voluntary incentive auctions, should Congress grant us the requisite authority. As you may also be aware, the Commission first unveiled the AOM concept in June 2010, with a detailed description in Omnibus Broadband Initiative (OBI) Technical Paper No. 3. We have enclosed a copy of that paper for your review.

At this point, the AOM remains very much a work in progress, and I am deeply concerned that disclosure of predecisional information would potentially damage the Commission's deliberative processes, as well as result in needless public confusion about the status of the Commission's work on the voluntary incentive auction concept. While the process of refining the AOM continues, the Commission has an interest in ensuring that deliberative information is not disseminated outside the agency and, more importantly, that candid internal discussions are encouraged.

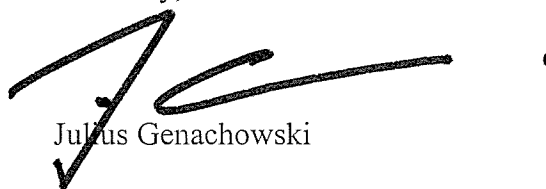
Commission staff is experimenting with the model as part of their work to prepare for the possibility that Congress will provide the Commission with the authority to conduct voluntary incentive auctions. At this stage, any sample AOM model runs would be imprecise and potentially lead people to have an incomplete and misleading snapshot of the post-auction broadcast marketplace. Moreover, releasing model runs with hypothetical assumptions about which particular television stations might choose to participate in a voluntary incentive auction would likely lead to destabilizing speculation in the marketplace, thereby creating unfairness and potential harm. In short, it is too early in our process to release what is still a partial work product, because doing so would not add to (and could harmfully detract from) the guidance already provided in Technical Paper No. 3, which remains the touchstone of the Commission's work and is available for all public parties to use to conduct hypothetical modeling.

Should Congress grant the Commission the ability to conduct voluntary incentive auctions, I commit to you that we will put the then-current (and further refined) version of the AOM out for public comment before setting the rules for the auction. The result will be a full, fair and open process that will allow for a complete review of the methodology, data and assumptions the Commission will ultimately use to implement that authority.

Please know that I am fully committed to a robust future for over-the-air broadcasting, as well as for mobile broadband. Economic growth and consumer interests are our touchstone. If flexible legislation is crafted to optimize the ways in which broadcasters can voluntarily participate in an incentive auction, the post-auction broadcast industry will be financially stronger, and those broadcasters that decide to take full advantage of offering new technologies to consumers, such as mobile DTV, will be able to do so. With such auction legislation, consumers will be rewarded on both the broadband and broadcasting fronts, and we will be assured that we will be making the most of our nation's spectrum, a vital and scarce national resource.

If I can be of further assistance, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Julius Genachowski". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

Julius Genachowski