

**STATEMENT OF
CHAIRMAN JULIUS GENACHOWSKI**

Re: *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*

This is a big deal. Today, the U.S. becomes the first nation in the world to launch incentive auctions – a new paradigm in spectrum policy that uses market forces to repurpose beachfront spectrum for licensed and unlicensed wireless broadband.

The world is watching. As Japan’s Nikkei Weekly wrote recently, “Japan can learn from the incentive auction system adopted by the U.S. government.”

In this flat, competitive world, capital and talent can flow anywhere. We’re in a global bandwidth race. It’s similar to the space race in that success will unleash waves of innovation that will go a long way toward determining who leads our global economy in the 21st century.

Because of innovative American companies and entrepreneurs, and smart government policies, the U.S. has regained global leadership in mobile innovation over the past few years. Incentive auctions will help keep us there.

They will help ensure that the U.S. has world-leading wireless networks, that we have the mobile bandwidth we need, that we build and maintain a strategic bandwidth advantage, that we keep and extend our edge in mobile innovation, and that we improve coverage and service quality for wireless consumers throughout the country.

The FCC pioneered the original spectrum auctions.

When we first introduced incentive auctions in 2010, as part of a strategy to address the spectrum crunch, one initial reaction was: The idea won’t go anywhere, not in this town, not at this time.

But less than two years after the idea’s formal introduction in the National Broadband Plan, incentive auctions have gone from idea to law. President Obama, from the beginning, displayed strong leadership on the mobile opportunity for innovation and economic growth, and made incentive auctions a priority.

While, as I’ve said, I’m concerned about aspects of the law, Congress, to its credit, overcame strong differences to enact a bold law. I commend the leadership of both parties, particularly of the Senate Commerce Committee and House Energy and Commerce Committee, for their hard work and commitment to action, and our duty and intention is to faithfully implement the law, freeing up spectrum, raising very substantial revenue, and helping fund FirstNet first responders.

Today, the FCC formally launches this effort, with a strong, thoughtful and path breaking proposal, and we anticipate conducting the world’s first incentive auction in 2014.

When the idea was first proposed the second reaction from some quarters was: there's no spectrum crunch.

Yet, today, virtually every expert confirms the vital need to free up new spectrum, because demand is rapidly exceeding supply.

And it's not going away. U.S. mobile data traffic grew almost 300% last year, and driven by 4G LTE smartphones and tablets, traffic is projected to grow an additional 16-fold by 2016.

The spectrum crunch is a major headache for consumers, who have to deal with dropped connections or spinning pinwheels when they're checking the web on the go.

And it's a headache for U.S. innovators and network operators. We're now leading the world in deploying the next generation of wireless broadband networks – 4G LTE – at scale. With more than two thirds of the world's LTE subscribers, the U.S. is the global test bed for LTE apps and services. But we won't be able to seize the opportunities of this early advantage without taking care of our invisible infrastructure – wireless spectrum.

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To realize the promise of incentive auctions – our single biggest initiative to free up beachfront spectrum and address the spectrum crunch – our work in this proceeding will be guided by a set of core goals and principles:

- Maximizing the amount of spectrum freed up for flexible use, both licensed and unlicensed.
- Maximizing broadcaster participation in the auction, including by making the auction process as transparent and easy-to-understand as possible.
- We'll keep a firm focus on engineering and economics. This will be a fact-based, data-driven proceeding, drawing on the expertise of the world's leading economists, auction design experts, and engineers, both inside and outside the agency.
- We'll recognize the need for humility. This is an incredibly fast-moving space and an extremely complex policy initiative. We are committed to engaging with all stakeholders, learning from the public record we'll be building, aiming for simplicity, and adjusting our proposals as necessary to ensure the auction succeeds.
- And we'll remain committed to U.S. leadership in mobile infrastructure and innovation.

We intend to implement incentive auctions consistent with these goals and principles, within the constraints imposed by the Spectrum Act and recognizing Congress's objective of funding the FirstNet broadband network for our first responders. It won't be easy, but today's proposal puts us well on our way.

The new incentive auction concept poses a long-list of new challenges, but this proposal already makes clear that smart and elegant solutions are possible. The proposals on auction design and band plan demonstrate this.

The proposed band plan consists of 5 MHz “building blocks” to allow for the greatest amount of flexibility and efficiency, including allowing for additional downlink blocks that could be auctioned on an unpaired basis.

In developing this proposal, we’re optimizing for the new mobile data world. We see opportunities here, as well as challenges – opportunities for a next-generation band plan, one that can serve as a model for the world, and advance the goal of internationally-harmonized spectrum.

In addition to unleashing licensed spectrum, we also propose to free up a significant amount of unlicensed spectrum for Wi-Fi-like uses.

Today’s proposal would create the world’s first nationwide unlicensed spectrum band suitable for robust wireless broadband, on contiguous low-band frequencies.

Surprisingly, there’s been some disagreement on this. But this is a time to be embracing and extending WiFi-like uses of spectrum, as we take unprecedented steps to free up a very substantial amount of spectrum for licensed use. Unlicensed spectrum has a powerful record of driving innovation, investment, and economic growth – hundreds of billions of dollars of value creation for our economy and consumers. Why would we turn our back on WiFi-like innovation, particularly when we can unleash both licensed and unlicensed spectrum?

Along with licensed spectrum, unlicensed spectrum is a vital part of today’s – and tomorrow’s – spectrum ecosystem. We estimate that today approximately one third of mobile traffic is offloaded to Wi-Fi, as carriers increasingly develop new methods to manage capacity on their networks.

A balanced approach makes sense for our country, and it’s what the Spectrum Act contemplates.

People depend on unlicensed spectrum every single day: to connect wirelessly to their home and business Internet networks; to stream news and movies onto their tablets; to connect their hands-free Bluetooth devices; to monitor inventory using RFID tags.

Our proposal today takes White Spaces spectrum innovation to the next level. We’ve already seen successful uses of unlicensed white spaces spectrum for Smart Grid monitoring, “Smart City” monitoring, distance learning, and to provide additional bandwidth to enable better healthcare.

Our proposal on unlicensed spectrum will create a powerful new platform for innovation – a world-leading platform at a time when many other countries are actively working to leapfrog the U.S. This is a win for innovation, a big opportunity for our country. I’m proud that we’re

moving to seize the opportunity, and I look forward to input from all stakeholders on aspects of this proposal.

Incentive auctions are also an opportunity for broadcasters – both those that will take advantage of a once in a lifetime financial opportunity, and those that will choose to continue to be a part of an even healthier broadcast marketplace.

And broadcasters will also reap benefits from a more robust mobile ecosystem. In fact, broadcasters are uniquely positioned to benefit from mobile broadband because of their focus on video content creation. I hear from more and more broadcasters that seek to reach their audience wherever it is.

A headline at this year's NAB Show said it well: "Convention Embraces Multiplatform World." And from my own experience in both broadcasting and Internet businesses, I couldn't agree more with this approach. Robust mobile networks will help broadcasters deliver and monetize their content on tablets and other mobile devices. Because of their experience with video, broadcasters are in a great position to lead content into the 21st century, and incentive auctions will help.

We are committed to outreach and education to all broadcasters, including through our new Broadcaster LEARN Program, which is designed to inform and empower broadcaster decision-makers as they participate in our comment process and consider the business decisions that incentive auctions create.

As I mentioned, a key goal of our auction proposal is simplicity, and we'll continue to work with broadcasters, wireless carriers and all stakeholders to improve the proposal and put in place the most effective auction design ever developed. We'll also work to promote the important statutory goal of diversity.

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I was here at the FCC in the days of the first spectrum auctions. I remember how the auction design evolved from a simple oral outcry – like a cattle auction -- to the sophisticated, computer-driven simultaneous ascending auction format that has been used in a wide range of commodity auctions around the world.

I recall all too well that people worried the new auction would be too complex. But due to the incredible work of FCC staffers like Evan Kwerel and Greg Rosston and outside experts like Paul Milgrom, the auction turned out to be a major success.

Fortunately, Evan and Greg and Paul are engaged in this proceeding as well.

Innovation requires risk taking and new thinking. I challenge all stakeholders will approach the creation of these new incentive auctions with the same daring spirit that led to the creation of the original spectrum auctions two decades ago.

Finally, thank you to Gary Epstein, Ruth Milkman, John Leibovitz, Julie Knapp, Bill Lake, Rebecca Hanson, Evan Kwerel, Bill Scher, Brett Tarnutzer, Rob Alderfer, Amy Levine, Stuart Benjamin and the rest of the team who have worked to make incentive auctions a reality. I also want to recognize additional team members that initially developed the incentive auctions concept as part of the National Broadband Plan – including Blair Levin, Erik Garr, Carlos Kirjner, Phil Belaria, Adam Gerson, Brian Weeks and many others.