

FACT SHEET: INCENTIVE AUCTION COMMENT PN
December 11, 2014

The Comment PN seeks public input on detailed proposals for how the incentive auction will be conducted and provides a detailed roadmap of the incentive auction process. It fleshes out the decisions that the Commission made in the *Incentive Auction Report and Order* and *Mobile Spectrum Holdings Order* last May. After considering comments responding to the proposals, the Commission will finalize auction design and procedural details in an Incentive Auction Procedures Public Notice.

In the Comment PN, the Commission seeks comment on a number of specific detailed proposals and crucial auction design issues, including:

- **Methodology for establishing opening bids for the reverse auction:**
 - The opening prices a broadcaster would be offered in the reverse auction must be high enough to encourage robust participation, but not so high that the auction requires hundreds of rounds to close or prevents some of the auction proceeds to be used for Congress' directive to promote the interests of taxpayers in getting a portion of the value of the spectrum sold at the forward auction.
 - To balance these objectives, the Comment PN proposes that a station's opening price will equally weight the station's impact on the repacking process due to the interference it produces and the amount of population it serves.
 - The Comment PN proposes that a UHF station's opening price for moving to a low VHF station should be 67-80 percent of the opening price for fully relinquishing its license, and the opening price for moving to a high VHF station should be 33-50 percent of the full relinquishment amount, and seeks comment on where in these ranges the discount should be set.
 - The Comment PN also proposes to use a dynamic reserve price (DRP) procedure, which will facilitate price competition in all markets by offering high opening prices to every broadcaster, and letting the auction process determine the final prices.

- **Methodology for establishing opening bids for the forward auction:**
 - The Comment PN proposes to establish minimum opening bids for each license by assigning a number of "bidding units" to each license. The number of bidding units for a given license will be based on its weighted population using an index of relative prices from previous auctions. The Commission used this methodology for the AWS-3 auction.
 - Determining an initial clearing target and defining impaired markets:
 - The Comment PN proposes to define the "near nationwide" clearing target as one in which impairments (caused by the need to locate TV stations in the wireless portion of the 600 MHz band), on an aggregate nationwide basis, affect less than 20 percent of U.S. population, weighted to reflect geographic variation in license prices as determined in prior auctions.
 - The forward auction will offer two categories of generic blocks
 - Category 1 blocks with zero to 15 percent impaired -pops.
 - Category 2 blocks with more than 15 but not more than 50 percent impairments.
 - Prices for both categories of blocks will receive a one percent discount for each percentage of impaired pops.
 - Blocks with more than 50 percent impaired pops would not be offered.

- **The components of the final stage rule:**
 - The *Incentive Auction Report and Order* established the rule for determining the final stage of the incentive auction.
 - The first component of the final stage rule is designed to ensure that taxpayers receive fair value for licenses offered in the forward auction, as required by the Communications Act.
 - For this component, the Comment PN proposes an average price per MHz-pop benchmark of \$1.25 for Category 1 licenses in the 40 largest license areas by population, and a spectrum benchmark of 70 megahertz, which corresponds to a clearing target of 84 megahertz of spectrum.
 - The first component would be satisfied:
 - At clearing targets at or below the spectrum benchmark, if forward auction proceeds meet or exceed the average price per MHz-pop benchmark of \$1.25 for Category 1 licenses in the 40 largest license areas.
 - At clearing targets above the spectrum benchmark, if forward auction proceeds for all licenses offered meet or exceed the product of the average price per MHz-pop benchmark of \$1.25 for Category 1 licenses in the top 40 license areas at the spectrum benchmark of 70 megahertz.
 - The second component of the final stage rule requires that the proceeds of the forward auction meet certain mandatory expenses set forth in the Spectrum Act and any additional amount needed by the Public Safety Trust Fund for FirstNet.

- **Application of the Commission’s Mobile Spectrum Holdings policies and the implementation of the spectrum reserve:**
 - The Comment PN seeks comment on determining the amount and type of spectrum that will be available to reserve-eligible bidders, which may be more reliant on 600 MHz Band spectrum to expand service and compete in the mobile wireless marketplace.
 - The Comment PN proposes that the maximum number of reserved blocks will be based on the total number of spectrum blocks –Category 1 blocks plus Category 2 blocks – offered in a given service area.
 - The reserved blocks will consist only of Category 1 blocks.

- **Factors to consider in making provisional and final channel assignments and the priority in which they should be considered:**
 - At the end of each reverse auction stage, all channel assignments will be provisional. The Comment PN proposes to determine the final channel assignment based on factors that minimize the impact of repacking on broadcasters.
 - The factors include:
 - Maximizing the number of stations assigned to their pre-auction channel;
 - Minimizing the number of stations predicted to receive aggregate new interference above one percent; and
 - Avoiding reassignments of stations with high anticipated relocation costs in order to minimize total relocation costs.