

**STATEMENT OF
COMMISSIONER MIGNON L. CLYBURN**

Re: Broadcast Incentive Auction Scheduled to Begin on March 29, 2016; Procedures for Competitive Bidding in Auction 1000, Including Initial Clearing Target Determination, Qualifying to Bid, and Bidding in Auctions 1001 (Reverse) and 1002 (Forward), AU Docket No. 14-252, GN Docket No. 12-268, WT Docket No. 12-269.

In most spectrum auctions, Comment and Procedures PNs are essentially “afterthoughts.” The real policy action occurs prior to the adoption of the orders that set the license and service rules for the spectrum being allocated. That will not be said about the Procedures PN for the world’s first ever incentive auction and the relevant stakeholders are to be commended for their excellent and thorough advocacy on the issues raised in the Comment PN last December.

It could go without saying, but I will do so anyway, that the staff of the Incentive Auction Task Force, Media and Wireless Bureaus have worked hard to balance all the respective interests at stake in the reverse and forward auctions. That is clearly reflected in the number of excellent decisions in this Procedures PN. First, we are adopting techniques to determine a final TV channel assignment plan that strives to maximize the number of stations that stay on their pre-auction channels, minimizes aggregate new interference, and avoids channel reassignments for stations with high anticipated relocation costs. All of this will help ensure that total reimbursement costs will remain within the \$1.75 billion in the TV Broadcaster Relocation Fund, speed the post-auction transition process and minimize disruption for stations and viewers. Second, thanks to the advocacy of broadcast TV stations that want to participate in the reverse auction, we reject the Comment PN’s proposal to use a Dynamic Reserve Price, or “DRP,” mechanism. This will encourage voluntary participation in the reverse auction by removing uncertainty among broadcasters. Third, we are adopting optimization procedures that will result in significantly fewer impaired wireless license blocks in the forward auction. This should increase the incentives for both wireless carriers and broadcast TV stations to participate.

As most industry insiders know, over the past couple of months, the most contentious issues about this particular item involved whether or not to place TV stations in the duplex gap, when to begin bidding for reserve spectrum, and how to design optimal procedures for the assignment round. I want to thank my colleagues for their cooperation on changes to this item that properly address my concerns in these areas.

Since 2010, I have been a strong advocate for TV White Space technology, because it offers a low-cost way to provide broadband to unserved and underserved areas. When we began this proceeding, in 2012, we made a commitment to adopt policies that allow TV White Space technology to be used for mobile broadband services. Placing TV stations in the duplex gap could harm the development of TV White Space technology for mobile broadband use. So, I thank Commissioner Rosenworcel for her approach to address this concern.

I also carefully considered the proposals of consumer advocates and competitive carriers, to address the fear, that larger nationwide carriers have incentives to strategically bid up prices to foreclose competitors from acquiring spectrum. My focus here was on whether the various proposals address those risks, while adequately balancing other incentive auction goals, such as proper auction design and a wide dissemination of licenses. I thank Chairman Wheeler and Commissioner Rosenworcel for supporting my recommendations to address these serious concerns.

By adopting a 20 MHz cap on the amount of reserve spectrum that any reserve-eligible entity could acquire in PEAs with populations of 500,000 or fewer people, we are achieving three important

public policy goals. First, we are creating an additional incentive for smaller wireless carriers to bid more aggressively in the forward auction. This should encourage more broadcast TV stations to participate in the reverse auction. Second, we are promoting more competition by ensuring there is sufficient reserve spectrum, not just for nationwide carriers, but for smaller regional carriers as well. Competition in less populated PEAs is generally less robust than in larger areas and we are addressing this head-on. Third, the cap helps to minimize the risk of foreclosure bidding in over 280 PEAs. In addition, the Order now directs the staff to carefully monitor bidding activity for foreclosure bidding. If the staff suspects improper bidding activity, the Order now authorizes them to lower the bidding increments to one percent in all PEAs. This policy, together with the characteristics of a clock auction and the bidding activity rule, should reduce the risk of foreclosure bidding in all PEAs.

I must admit that I remain concerned about monetary bidding in the assignment round. This is the first time the Commission has used this procedure and depending on the level of demand for Category 2 licenses in a particular market, monetary bidding in the assignment phase, could cause bidders, especially smaller carriers, to withhold more money in the clock phase than they would if we did not have monetary bidding in the assignment phase. But this item contains a number of policies to address those concerns. Most notably: Bidding in the assignment round is voluntary. All winners in the clock round (including those who do not bid in the assignment round), will be assigned contiguous frequency blocks in the assignment round to the maximum extent feasible. The auction system will seek to maximize the number of bidders that are assigned at least two contiguous blocks. By preventing bidders from splitting up their competitors' contiguous blocks, these policies help deter mischief, and ensure the assignment round will not adversely impact competition.

I again commend Gary Epstein and the staff of the Incentive Auction Task Force for their hard work throughout this proceeding and for presenting us with a terrific item. I am also grateful for the time they took to brief my staff and me on the Public Notice.