

**STATEMENT OF
COMMISSIONER TOM WHEELER**

Re: *In re Comment Sought on Competitive Bidding Procedures for Broadcast Incentive Auction 1000, Including Auctions 1001 and 1002, AU Docket No. 14-252; Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions, GN Docket No. 12-268*

Ever since Congress authorized the world's first incentive auction in early 2012, the Commission's leadership has consistently stated that this first-of-its-kind auction was a really, really big deal. The spectrum reclaimed through the incentive auction will enable increased speed, capacity and ubiquity of mobile broadband services such as 4G LTE and Wi-Fi-like networks, all while providing a significant financial opportunity for many broadcasters. The still-ongoing AWS-3 auction has only reinforced the view that carriers need spectrum to serve the voracious appetite of a data consuming public. This bodes well for the incentive auction.

I have repeatedly stated that we need to get it right; and we will do whatever it takes to make sure we get it right. Accordingly, Commission staff has been working tirelessly to design this unprecedented auction, and we have made steady and significant progress. Today, we take another important step forward.

With this Public Notice, we are initiating the public comment period on detailed proposals about how key aspects of the auction will work. And I think it's an appropriate time to remember how we got here.

The auction design the Commission adopted last May in the Incentive Auction Report & Order continues the path to reality with today's Public Notice. This Notice is the result of years of work by a large team of auction experts inside the FCC, as well as world-renowned auction design consultants who literally wrote the book on auction design. These are the same experts who were responsible for developing the FCC's simultaneous multi-round (SMR) auction that has proven to be so successful for the last quarter century.

Pursuing projects of this magnitude necessarily involves complexity and subtlety. We have strived to simplify wherever possible, but the auction is a series of interlinked variables. It is a far cry from a cattle auction, or even the auctions we have previously conducted.

Throughout this process, I have directed the Incentive Auction Task Force and our outside experts to respect the FCC's unique role in upholding the public interest. That necessarily involves balancing a range of considerations, which are laid out in the auction statute: increasing wireless broadband, promoting competition, giving opportunities to a range of different bidders of different shapes and sizes, and providing a fair return to the treasury, among others. I believe the proposed design respects these principles.

We have worked hard to make sure that the incentive auction will be a win for multiple stakeholder groups—broadcasters, carriers big and small, consumers, and taxpayers. I am confident that the proposals in today's item will lead to an auction that creates value for the public and all stakeholders.

Of course, today's item is a Notice. We are seeking input on these proposals. But I want to emphasize that the detailed proposals on which we are seeking comment reflect many of the ideas, concerns, and input that we've heard throughout our transparent and open process.

In many respects, today's Notice simply fleshes out decisions that the Commission made in May, such as a "near-nationwide" clearing target to take account of the possibility that we may need to assign some broadcasters to the portion of the 600 MHz Band that will be allocated for mobile broadband; the use of a clock auction format to make it easy for broadcasters to participate; and a market-based spectrum reserve to promote competition. It is my hope that parties will focus on the proposals we put forward today to implement these decisions, rather than seeking to re-litigate these basic determinations.

While the Public Notice addresses a wide range of matters, two proposals in particular should be highlighted:

First, as I just mentioned, we propose detailed procedures to implement the market-based-reserve of spectrum that the Commission adopted last May. As I said at the time, I'm an unabashed believer in competition, and I'm committed to our revitalized Mobile Spectrum Holdings policies and the implementing procedures we propose today because they begin and end with one basic goal—how best to preserve and promote competition to the benefit of all Americans.

Under those policies, every bidder in the Incentive Auction, regardless of size or spectrum holdings, will be able to bid on spectrum in every market throughout the country.

We will use a “market-based reserve” for bidders that do not currently hold significant amounts of low-band spectrum in specific markets, provided that these “reserve bidders” pay their fair share of auction costs. Because reserve-eligible bidders are those with the least low-band spectrum nationwide today—and are therefore likely to be more reliant on 600 MHz Band spectrum to expand coverage and service—we are proposing that the reserve spectrum consist solely of licenses with the least interference from broadcasters who are assigned channels in the 600 MHz band. This reserve will make sure that consumers are more likely to benefit directly from increased competition in all parts of the country—rural, suburban, and urban areas included.

Second, we propose a specific methodology for setting opening prices for the reverse auction.

Our proposed opening prices will be very generous—as they should be in order to encourage robust broadcaster participation. Under the proposed formula, opening prices for most stations will be higher than the high-end compensation estimates developed by FCC staff and included in the information materials prepared by the Greenhill investment banking firm. But opening prices are just that—the starting point for the auction. Our proposed mechanism will also facilitate price competition in all markets, enabling us to offer high opening prices to every broadcaster and letting the auction process determine the final prices. At any point if a broadcaster feels the price has dropped too low, they may exit the auction without penalty.

We must also be mindful of our obligation to promote the interests of the public in sharing a portion of the value of the spectrum sold at the forward auction, while making sure we have enough forward auction revenue to successfully close the auction, including making incentive payments to all of the broadcasters we need in order to meet our clearing target. I believe our proposed formula for calculating opening prices strikes the right balance between these objectives.

The “under-the-hood” proposals contained in this Public Notice are purposefully detailed in order to solicit meaningful input from the public. But broadcasters will have a simple yardstick for deciding whether to participate and whether to remain in the auction—their own assessment of whether they consider the prices offered to them are sufficient.

Finally, because we realize that broadcasters' participation is critical to the success of the Incentive Auction, we are also continuing our broadcaster outreach and education efforts. Early next year, the Incentive Auction Task Force is poised to begin its field visits to every region of the Continental U.S., including both larger and smaller television markets. The Task Force will be announcing more details soon.

Thank you to the Task Force, the Wireless Bureau, and other staff from across the Commission for their continued hard, creative, and tireless work on this item.