Incentive Auctions

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Incentive Auctions: Progenitors

- **Spectrum auctions**
  - FCC, since 1994
  - Adopted worldwide, with similar design

- **Compensations paid to conflicting uses**
  - Done since clearing of microwave links from PCS spectrum in mid-1990s

- **Spectrum exchange**
  - Proposal to clear 700 MHz spectrum before end of digital transition
  - Upper UHF channels would cease OTA but retain “must carry”
Incentive Auctions: High-level issues

- **Voluntary vs. voluntary**
  - Reducing or eliminating OTA must be voluntary for broadcasters
  - Relocation/repacking cannot be voluntary

- **Broadcasters must share in the surplus**
  - Broadcasters have the reasonable expectation of being able to broadcast OTA, and should receive meaningful compensation in return for reducing or eliminating OTA

- **Legislation needs to be vague on auction mechanism**
  - There is substantial auction design expertise available
  - FCC has utilized it most effectively in the past
  - Poorly-drafted statutory language could stop this from happening
Incentive Auctions: Suggested statutory language

• Objectives
  ▪ Efficiency and transparency
  ▪ Reasonable return to taxpayers for use of a public asset
  ▪ Reasonable compensation to broadcasters for voluntarily reducing or eliminating OTA use of spectrum

• Authority
  ▪ FCC granted explicit authority for auctions to sell and to buy
  ▪ FCC granted explicit authority to relocate/repack broadcast licenses
  ▪ Exact mechanism, terms and conditions left to an FCC rulemaking

• Other clauses
  ▪ All “must carry” rights of broadcasters will continue following their participation in this mechanism (as if they had not participated)