

**OPENING REMARKS OF FCC COMMISSIONER AJIT PAI  
AT THE MOBILE FUTURE FORUM, “DESIGNING FOR AUCTION SUCCESS:  
LESSONS LEARNED FROM AROUND THE WORLD”**

**WASHINGTON, DC**

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I want to thank Mobile Future for inviting me to help kick off this afternoon’s event. The distinguished panel of speakers will be discussing a timely topic—the lessons to be learned from past decisions to impose bidding restrictions in spectrum auctions. Will Rogers once said that “Good judgment comes from experience, and a lot of that comes from bad judgment.” So as the Federal Communications Commission considers rules for the upcoming incentive auction, I hope that we do so mindful of past experience with bidding restrictions.

The stakes are high. The FCC faces an important challenge and opportunity in the months ahead. As you know, Congress enacted the Spectrum Act in 2012. It charges the FCC with the twin goals of getting new spectrum into the commercial marketplace and raising \$27.95 billion for a number of critical national priorities.

What are those priorities? Public safety and deficit reduction. Regarding the former, a successful auction will deliver not just the \$7 billion in funding Congress specified for FirstNet but also the \$135 million it marked for state and local public safety officials, the \$300 million it identified for the research and development of wireless public safety communications, and the \$115 million it sought for the deployment of Next Generation 911.

As for deficit reduction, our upcoming auctions, including the incentive auction, hold the promise of raising more than \$20 billion to help reduce our national debt. Indeed, Congress counted on us meeting this target when it passed the Spectrum Act, so much so that it already spent those funds. If we don’t meet it, the Commission will be responsible for increasing the budget deficit above the Congressional Budget Office’s current projections. So in my view, failure is not an option.

Right now, I worry that the greatest obstacle in our way might be the Commission itself. In order for the incentive auctions to succeed, we must have robust competition among wireless carriers for licenses in the forward auction. Or, as a friend of mine might put it, “competition, competition, competition.”

But unfortunately, the plan reportedly on the table appears to go in the opposite direction. It restricts competition. Certain companies selected by the government will be shielded from competing against other companies. Instead of good, old-fashioned competition, the chosen few would have spectrum set aside especially for them.

My position on the forward auction is simple: The FCC should not limit carriers’ ability to participate. We should not pick winners and losers. The inevitable effect of a policy that limits participation will be less spectrum for mobile broadband, less funding for national priorities, a higher budget deficit, and an increased chance of a failed auction.

This is not a partisan view. Seventy-eight Democrats in the U.S. House of Representatives recently wrote to the FCC and made these same points. As they put it, “For the auction to be a success, the Commission should maximize participation by both broadcasters

incented to relinquish their spectrum rights and bidders seeking to buy those rights.” “In fact,” they went on to say, “inviting as many bidders as possible to compete in an open and fair auction on equal terms will allow for the full market price for spectrum to be realized and, in turn, lead to higher compensation to incent greater broadcaster participation resulting in more spectrum for the auction.”

This pro-competitive position cannot be reconciled with a policy of restricting participation in an effort to manipulate the market. It’s not an auction on equal terms if some competitors can bid on all the spectrum but other competitors can bid on only some—unless of course we’re back on *Animal Farm*, where all are equal but some are more equal than others.

Hopefully, as the Commission moves forward, we will take heed of history. As today’s panelists will discuss, attempts to influence wireless markets through bidding restrictions are nothing new.

Take our own experience. Studies show that the FCC’s decision in the late 1990s to impose bidding restrictions in the PCS auctions substantially reduced revenues. It led to significant delays in the spectrum being put to use by consumers. And, perhaps worst of all, it imposed these costs without producing any long-term benefits for wireless competition. To those contemplating spectrum set-asides, I would offer a single cautionary word: NextWave.

The international experience reveals a similar story. Studies of bidding restrictions imposed by governments around the world—including analysis done by some of today’s panelists—show that those efforts failed to achieve their goals of altering the wireless marketplace *and* imposed severe costs along the way. These costs have included reduced auction revenues, swaths of fallow spectrum, and delayed deployments of new services to consumers.

There’s another important point to consider: the complexity of the task at hand. None of these precedents, either here or abroad, involved the novel incentive auction that the Commission has been charged with conducting. From the beginning, one of the principles that I’ve said must guide our work is simplicity. Crafting rules for a successful incentive auction is challenging enough without adding unnecessary layers of complexity. And based on what I’ve heard so far, the plan on the table for spectrum set-asides seems to put the “complex” into the word “complexity.”

I have heard some describe the incentive auction as akin to solving a Rubik’s Cube, and I think that’s a useful comparison. On one hand, the traditional 3x3x3 Rubik’s Cube has been solved millions of times over the years. (If you can believe it, someone has even solved two Rubik’s Cubes, simultaneously, underwater, and in less than a minute and a half.) But on the other, there’s also a 17x17x17 Cube that has 1,539 parts. We need to avoid creating an unnecessarily complex puzzle like this, in large part because I doubt that either we or auction participants could solve it.

There’s much more to say about bidding restrictions, and I’m glad our expert panelists are here to say it. In fact, this is such an important debate that I encourage *everyone* to speak up, without restrictions (so to speak). My office has an open-door policy—at least until the counterintuitively-named Sunshine Period kicks in—and I look forward to continuing to hear from all interested stakeholders. Thank you again to Mobile Future for hosting today’s event and for inviting me to offer a few opening remarks.