

Email Update from Attorney on FCC Auction News

Stage One of the reverse auction concluded this morning (June 29). After its conclusion, the FCC announced the “clearing cost” for the forward auction, which is the amount the forward auction must raise in order for the Incentive Auction to conclude without proceeding to a second stage. Unfortunately, the clearing cost is an astronomical number -- \$86,422,558,704. By way of comparison, the most recent FCC spectrum auction raised only a little over half that amount, \$45 billion; however, that was for spectrum considered inferior to the television broadcast spectrum now at auction. Last year, the Congressional Budget Office projected that the Incentive Auction will ultimately yield between \$10 billion and \$40 billion, with an “expected value” of \$25 billion. While anything is possible, we believe it is highly likely that the \$86 billion clearing cost will not be reached in stage one of the forward auction, and that there will be a second stage of the auction later this year. We will of course keep you posted. Our current estimate is that the forward auction will not begin until early August and that a Stage Two of the reverse auction (if needed) would not commence until after Labor Day.

As helpful background to understanding the role of the clearing target in the auction, Stage One is attempting to clear 126 megahertz of broadcaster spectrum to create 100 megahertz (10 channels) of wireless spectrum. If there is a Stage Two, the FCC would try to clear less than 126 megahertz of broadcaster spectrum in order to create only 9 or 8 channels of wireless spectrum. The general idea here is that increased scarcity and higher demand on the wireless operator side would increase wireless bidding prices after already reducing expenditure on the broadcaster side.

Attached is the FCC auction system’s announcement message on the conclusion of Stage One of the reverse auction and announcement of the clearing cost. We again call your attention to the language regarding the prohibited communications rule.

Generated on Jun 29 2016, 12:36 PM ET by Daryl A Zakov, San Bernardino Community College District (0001526086), Round 52 Stage 1

Announcement

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1. Information About the Conclusion of the Reverse Auction (Stage 1)

Between: **All Participants**
From: **FCC, Auction Administrator**
Sent: *June 29 2016, 11:42:20 AM ET*

Bidding in the reverse auction has concluded for Stage 1. Clearing costs have been posted to [the Public Reporting System](#) (PRS). Please continue to monitor the [PRS](#) for Stage 1 progress of the forward auction and the overall status of the incentive auction.

Auction Results and Access to the Auction System

Access to the Auction System will be available until 2:00 p.m. Eastern Time on Friday, July 1. Bidders that wish to download their results files for Stage 1 of the reverse auction should do so before that time. If there is a subsequent stage, reverse auction bidders with at least one provisionally winning station in Stage 1 will have access to the Auction System for Stage 2. If the incentive auction continues into Stage 2, information about Stage 2 will be made available in the [PRS](#).

Prohibiting Communications Rule

We remind all full power and Class A broadcast television licensees that they remain subject to the Commission's rules prohibiting certain communications in connection with Commission auctions until the completion of the incentive auction as announced by the Commission by public notice. A party that is subject to the prohibition remains subject to the prohibition regardless of developments during the auction process. In addition, though communicating whether or not a party filed an application does not violate the rules, communicating that a party "is not bidding" in the auction could constitute an apparent violation that needs to be reported.

FCC PRS x
https://auctiondata.fcc.gov/public/projects/1000
Apps Incentive Auction Rev

FC Public Reporting System

Incentive Auction Dashboard - Stage 1

✓ The reverse auction has concluded for the stage.

Clearing Target	▶	126 MHz
Licensed Spectrum	▶	100 MHz

Reverse Auction	
Current Round	▶ Bidding concluded
Clearing Cost as of Stage 1	▶ \$86,422,558,704

Forward Auction	
Current Round	▶ Bidding not started
Auction Proceeds	▶ N/A

My-Results.xls My-Results (1).csv My-Results.csv Show all downloads... x

9:44 AM 6/29/2016