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Research Article

Federal Communications Commission reverse incentive spectrum auction: outcomes and impact on the broadcast industry

Amy Sindik  & Heather Polinsky

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ABSTRACT

This study explores the impact the first reverse incentive spectrum auction in the United States had on the broadcast industry. The reverse incentive auction is considered the first failed spectrum auction because it did not live up to profit or participation expectations. This study examines various economic and political factors that possibly contributed to the auction disappointment, including the asymmetric information between the broadcast industry and Federal Communications Commission (FCC) and the broadcast industry's waning influence over the FCC. These issues are explored through a mixed-methods study consisting of a quantitative auction data set and interviews with broadcast professionals.

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Disclosure statement

No potential conflict of interest was reported by the authors.

Notes

1. Auction 1000 encompassed two separate auctions, the reverse spectrum auction (Auction 1001) and the forward purchasing auction (Auction 1002).
2. The FCC has promised \$1.75 billion to aid stations in their repacking efforts, but this may not be enough money for the repacking efforts, which involves ordering new antennas and transmission equipment, assessing tower space and booking the broadcast tower companies are necessary to comply with the repack requirements (Arlen, [2017](#)).
3. Whether spectrum space is actually a scarce commodity is the subject of long-standing debate (T. W. Hazlett, [1990](#)).
4. That is, to access unused frequencies, wireless investors must file a plan with the government, detail their prospective business, document their technology and then prove such operations will serve “public interest, convenience or necessity.”
5. The FCC began holding auctions in 1994, due to the Omnibus Reconciliation Act of 1993. Since then, the FCC adopted specific rules for competitive bidding tailored for distinct services and conducted auctions for these services (Geradin & Kerf, [2003](#)). The FCC’s most common spectrum auction is a simultaneous multi-round auction.
6. The ability to grant and deny licences and assign frequencies was granted to the newly created Federal Radio Commission with the Radio Act of 1927. When the 1934 Communications Act created the Federal Communications Commission, the powers were transferred to the FCC, which replaced the FRC.

7. The need for the broadcast industry to give up spectrum had been discussed since the DTV transition when spectrum above 700 MHz was reclaimed from broadcast for mobile and first responder use (Eisenach, [2011](#); Weiser, [2009](#)).
 8. Commissioned by the FCC and produced by Greenhill & Co. LLC, an independent investment bank.
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Additional information

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Notes on contributors

Amy Sindik

Amy Sindik (Ph.D. University of Georgia) is an Associate Professor in the School of Broadcast and Cinematic Arts at Central Michigan University. Her research interests include FCC policy and administrative law.

Heather Polinsky

Heather Polinsky (Ph.D. Michigan State University) is an Associate Professor in the School of Broadcast and Cinematic Arts at Central Michigan University. Her research interests include media business, economics and policy.

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