



June 24, 2015

Marlene H. Dortch, Secretary  
Federal Communications Commission  
Office of the Secretary  
445 12th Street, SW  
Washington, DC 20554

**Re: In the Matter of Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions (Docket No. 12-268); Competitive Bidding Procedures for Broadcast Incentive Auction 1000, Including Auctions 1001 and 1002 (Docket No. 14-252)**

Dear Ms. Dortch:

This letter is to notify you that on June 22, 2015, Lonna Thompson, Executive Vice President, Chief Operating Officer and General Counsel, of the Association of Public Television Stations; Cindy Campbell, Vice President, Operations, of the Corporation for Public Broadcasting; and Thomas Rosen, Senior Counsel, of the Public Broadcasting Service (collectively, "PTV") met with Federal Communications Commission Chairman Tom Wheeler, Chair of the Incentive Auction Task Force Gary Epstein, and Vice Chair of the Incentive Auction Task Force Howard Symons, as well as other representatives of the broadcast industry and members of the Commission staff. Chairman Wheeler requested the meeting with representatives of the commercial and noncommercial broadcast sectors in order to discuss the upcoming *Incentive Auction Procedures Public Notice*.

PTV recommended that the Commission reduce or eliminate the proposed discounts to opening bids for moving to the VHF band in the broadcast spectrum incentive auction. PTV noted that a fixed percentage discount to the opening bid price for moving to the VHF band is inconsistent with the purpose of the auction, which is to use market mechanisms to determine the value that a broadcaster is willing to accept to relinquish its current channel. PTV recommended that the Commission provide opening VHF bids for all licensees that are comparable to full relinquishment, with downward pressure on the price resulting from the actual supply of VHF channels in a given market and the bidder demand for those channels. This approach is the most likely to ensure a robustly successful incentive auction because it will attract the maximum number of stations willing to consider a move to the VHF band, which in turn maximizes competition in the reverse auction and ensures final prices will reflect the competitive market value of the winning station's move.

PTV recommended that if the Commission decides to retain the fixed-discount approach, then it should adopt a bidding credit for noncommercial educational (NCE) stations that successfully bid to move to the VHF band, analogous to the already adopted small business bidding credit in the forward auction.<sup>1</sup> This would “gross up” a winning NCE station’s final payment to offset the initial, fixed reduction in the price offered to the station for its VHF move.

The Commission has determined that winning UHF-to-VHF bidders will not be eligible to receive reimbursements from the TV Broadcaster Relocation Fund, but will instead be required to fund their move out of auction proceeds.<sup>2</sup> But as the Commission is aware, NCE stations face unique financial and organizational challenges, stemming from the fact that these stations rely on direct financial support from private donations and, in many cases, funding from federal and state governments.<sup>3</sup> Because money is, of course, fungible, requiring NCE stations to pay relocation costs out of artificially discounted auction proceeds would, in effect, be akin to diverting NCE stations’ public and charitable funding (in an amount equal to the proposed discount) from supporting educational programming toward funding the station’s relocation. The public interest would be far better served by allowing NCE stations to fund their relocation using the full, undiscounted value of their UHF spectrum from auction proceeds paid by forward auction bidders.<sup>4</sup> PTV noted that the Commission could implement this recommendation under its broad authority to manage spectrum in the public interest.<sup>5</sup>

PTV urged the Commission to consider the above proposals in order to make bidding to move to the VHF band as viable an option as possible so that public television stations are able to voluntarily participate in the incentive auction while upholding the core universal service values of public broadcasting. PTV looks forward to continuing to work with the Commission to ensure that broadcast service to the entire American public is preserved in concert with a successful incentive auction next year.

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<sup>1</sup> Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions, *Report and Order*, 29 FCC Rcd 6567, 6762 ¶ 475 (2014).

<sup>2</sup> *Id.* at 6813 ¶ 601.

<sup>3</sup> Widelity, Inc., *Response to the Federal Communications Commission for the Broadcaster Transition Study Solicitation - FCC13R0003*, at 33–34 (Dec. 30, 2013).

<sup>4</sup> See also Comments of the Public Broadcasting Service, Association of Public Television Stations, and Corporation for Public Broadcasting, In the Matter of Competitive Bidding Procedures for Broadcast Incentive Auction 1000, Including Auctions 1001 and 1002, AU Docket No. 14-252, GN Docket No. 12-268 (filed Feb. 20, 2015).

<sup>5</sup> 47 U.S.C. 307(b); see also Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions, *Second Order on Reconsideration*, FCC 15-69, ¶ 152 n.562 (rel. June 19, 2015); Amendment of Parts 15, 73 and 74 of the Commission’s Rules to Provide for the Preservation of One Vacant Channel in the UHF Television Band For Use By White Space Devices and Wireless Microphones, *Notice of Proposed Rulemaking*, FCC 15-68, ¶ 18 (rel. June 16, 2015).

Regards,

/s/ Lonna Thompson

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