Challenges of Implementing Incentive Auctions in
other Economies: A Mexican Perspective

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The implementation of incentive auctions raises a trade-off between two conflicting goals: revenue maximization and economic efficiency (stemming from the deployment of new technologies and services).

- US: Should Congress determine an ex-ante % of auction revenue for the Treasury?

The 2.5 GHz Band Issue in Mexico

- There should be an explicit compromise between these two goals: if any, there should be a higher weight on the economic efficiency component of the trade-off (benefits of spectrum reallocation).
Economic Competition Concerns

- The auctioning process should address any competition concerns derived from the reallocation of radio spectrum: spectrum caps.

Reallocation Process

- ‘Tight´ cap: Entry

- ‘Loose´ cap: Concentration

- In Mexico, the final determination of spectrum caps lies on the competition authorities (COFECO), not the telecoms regulator (COFETEL): a first challenge is one of institutional coordination.

- There is a risk that spectrum caps may make more difficult to implement the incentive auction (it adds a new restriction).

- The caps may also affect the final amount of revenue collected.
The regulatory framework governing the parties involved in an incentive auction should be neutral *ex-ante* and *ex-post*.