

From: P. Milgrom
To: Evan Kwerel
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Evan:

Here are a few final thoughts as you get into the last stages of your decision making at the FCC.

1. The case for significant and divergent complementarities for this auction is very strong, making it desirable to use some combinatorial mechanism.
2. Parking is likely to be a more important problem in the 700 MHz auction than in the lab experiments for combinatorial auctions, possibly very much more important. The reason is that subjects in the lab experiments have so little knowledge about which bids are likely to be winning that parking strategies in the lab are much riskier than they would be in reality. (This conclusion is likely to hold true for any kind of combinatorial auction with highly flexible combinations.)
3. A major factor in deciding on rules must be what the FCC can implement in the available time that has an effective user interface and that can run quickly and reliably. If an unlimited package interface can be implemented that is easy to use, I would happily embrace it. (I proposed limited packages in my Wye River proposal only because it is certain that such an interface could be prepared and because I believed on the basis of the record that it accounted for the most important complementarities and exposure problems.)
4. My major concern about the benchmark auction as we have discussed it is related to its novelty and relative complexity: the number of new rules for users to digest and the novelty of every aspect of the algorithm create lots of opportunity for error. I believe if we had more time we could have made it simpler. However, I'm not convinced that any of the unlimited package auctions are much simpler or more familiar to bidders.

I wish we had spent more time refining the rules of the Public Notice proposal, because it is more familiar and I think we could have adapted it to work with a larger set of packages. However, I'm not going to attempt that adaptation in one single night. Given the reality of where we are today, if I assume that the interface issues are manageable, I would choose the benchmark rules as we have most recently discussed them.

Good luck. Let me know if there is any assistance I can render next week.

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