



Spectrum Auction Process and Integrated Spectrum Auction System

Auctions 73 and 76
700 MHz Band

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Disclaimer

Nothing herein is intended to supersede any provision of the Commission's rules or public notices. These slides should not be used as a substitute for a prospective applicant's review of the Commission's relevant orders, rules, and public notices. Prospective applicants must familiarize themselves thoroughly and remain current with the Commission's rules, orders, and public notices relating to 700 MHz Band service, rules relating to application and auction procedures, and the procedures, terms and conditions contained in the Auctions 73 and 76 public notices.



Many of the examples used in this presentation and software demonstration assume certain starting points set by the Commission. As described in Public Notice DA 07-4171, the Bureau has discretion to manage the auction and change certain parameters.



Agenda

- Overview of auction design and terminology
- Discussion of Auctions 73 and 76 rules and procedures, including considerations related to (1) package bidding and (2) the possibility of two auctions
- Presentation of the FCC's Integrated Spectrum Auction System ("ISAS" or "FCC Auction System")



Questions?

If you are viewing this presentation over the web, please feel free to e-mail your questions to...

Auction73@fcc.gov



This symbol indicates a common question slide.



Auction Design Highlights

- Simultaneous Multiple Round Auction
- Package Bidding Available on C Block Licenses Only
- Limited Information Disclosure (“Anonymous Bidding”)



Auction Design Highlights

Simultaneous Multiple Round (SMR) Auction Design for A, B, D, and E Block Licenses

- **Simultaneous** — All licenses offered at the same time
- **Multiple Round** — Multiple discrete bidding rounds during which bidding is confidential



Auction Design Highlights

SMR with Hierarchical Package Bidding (HPB) on C Block Licenses Only

SMR design that also allows bids on predefined packages of C Block licenses (Auction 73) / C2 Block licenses (Auction 76)

Packages

Packages	50 States								Atlantic	Pacific		
REAG licenses	1	2	3	4	5	6	7	8	10	12	9	11



Auction Design Highlights

Limited Information Disclosure ("Anonymous Bidding")

We will withhold, until after the close of bidding, public release of

- (1) bidders' license selections on their short-form applications,
- (2) the amounts of bidders' upfront payments and bidding eligibility, and
- (3) information that may reveal the identities of bidders placing bids and taking other bidding-related actions.



Auction Design Basics

Round Structure

- You do not know what any other bidders are doing during a round.
- Each round is followed by the release of certain round results — for example:
 - Provisionally Winning Bids (PWBs)
 - Minimum Acceptable Bids (MABs) for the next round



Auction Design Basics

Round Structure

- Initial schedule of bidding rounds is announced in advance.
- Changes to bidding schedule are announced in the FCC Auction System (e.g., more rounds per day as auction progresses).



How many rounds are conducted,
and when does bidding stop?

- The number of rounds varies in each auction. There is no predetermined number.
- Bidding continues until there is one round in which essentially nothing happens.
 - No bids placed
 - No proactive waivers submitted
 - No provisionally winning bids withdrawn



Auction Design Basics

Web-Based Auction System

- Auctions are conducted over the Internet using the FCC Auction System.
- Telephonic bidding is also available.
 - Auction Bidder Line phone number provided only to qualified bidders
 - Good backup system for bidders using the web



Auction Design Basics

Activity Requirements

- Bidders generally must bid throughout the auction.



What are bidding units?

- A fixed number assigned to each license
- The number of bidding units for each license is listed in PN DA 07-4171, Attachments A and B.
- Bidding units are used to measure bidders' eligibility and activity.



Bidding Units and Eligibility

Eligibility — The maximum number of bidding units a bidder can be active on in a given round.

- A bidder establishes its initial eligibility with its upfront payment.
- Eligibility for an auction cannot be increased after the upfront payment deadline.
- Eligibility is *not* specific to certain licenses. A bidder may use its eligibility on any of the licenses it has selected on its FCC Form 175 auction application.



Bidding Units and Activity

Activity — The sum of bidding units of

- the licenses on which a bidder places bids in the current round, and
- licenses on which a bidder has provisionally winning bids from a previous round
 - Bidding units for a given license are counted only once per round per bidder.



What is required activity?

The activity requirement is the minimum number of bidding units on which a bidder must be active. It is determined by a percentage of the bidder's current eligibility.



Activity Requirements

Two Stages Planned for Auctions 73 and 76

- Stage 1: 80% activity requirement

If a bidder has 10,000 bidding units of eligibility, its activity requirement is 8,000 bidding units.

- Stage 2: 95% activity requirement

If a bidder has 10,000 bidding units of eligibility, its activity requirement is 9,500 bidding units.

- Number of stages and percentage requirements subject to change



Bidding Units in Action

Example: You have 125,000 BU of eligibility and an 80% activity requirement (100,000 BU)

License	Description	Bidding Units	Upfront Payment
WY-BEA001-E	Bangor ME	112,000	\$112,000
WY-BEA016-E	Staunton VA-WV	60,000	\$60,000
WY-BEA058-E	Northern Michigan	49,000	\$49,000

What can you bid on?

- Bangor or both Staunton and Northern Michigan
- Not Staunton or Northern Michigan by themselves (below activity requirement)
- Not Bangor and either of the other licenses (exceeds eligibility)



What if you do not meet
the activity requirement?

- You will use an activity rule waiver
- or
- Your eligibility will be reduced



Activity Rule Waivers

- Use of an activity rule waiver preserves a bidder's current eligibility despite not meeting the activity requirement in the current round.
- When a bidder uses an activity rule waiver, it applies to that round of bidding, not to a particular license.



Activity Rule Waivers

- In Auctions 73 and 76, each bidder will have three activity rule waivers in each auction.
- Waivers can be applied automatically or proactively.



Automatic Waivers

The system will automatically apply a waiver for a bidder at the end of a round in which the bidder's activity is too low, unless:

- The bidder does not have any waivers left

or

- The bidder reduces eligibility



Proactive Waivers

- Bidders can apply activity rule waivers proactively.
- Difference between automatic and proactive waivers: Proactive waivers keep the auction open.
 - Bidding continues until there is a round with no new bids, withdrawals, or proactive waivers.



What if a bidder does not meet the activity requirement and does not have any waivers left?

The bidder's current eligibility will be permanently reduced, possibly eliminating the bidder from further bidding in the auction.



Reducing Eligibility

Bidders may use the “reduce eligibility” function of the auction system.

- Reducing eligibility brings a bidder into compliance with the activity requirement.
- Reducing eligibility is irreversible.
- Useful when a bidder is not meeting the activity requirement, does not want to bid on additional licenses, and does not want to use an activity rule waiver.



Reducing Eligibility

Example: You have 115,000 BU of eligibility and a 95% activity requirement (109,250 BU)

License	Description	Bidding Units	Upfront Payment
WY-BEA001-E	Bangor ME	112,000	\$112,000
WY-BEA016-E	Staunton VA-WV	60,000	\$60,000
WY-BEA058-E	Northern Michigan	49,000	\$49,000

You want to stop bidding on Bangor. What can you do?

- Place your bids on Staunton and Northern Michigan, and allow one of your waivers to be used automatically when you do not meet the activity requirement.

or

- Place your bids on Staunton and Northern Michigan, and then reduce your eligibility. Your current activity (109,000 BU) will be multiplied by 20/19, and your eligibility will be reduced to 114,737 BU.



Bid Amounts

- Minimum opening bids have already been established.
- Once there is a provisionally winning bid (PWB) covering a license, a minimum acceptable bid (MAB) is calculated using an activity-based formula.
- The activity-based formula tailors MABs to bidding activity — initially 10-20% higher than the PWBs for most licenses.



Bid Amounts

Licenses Subject to Package Bidding

C Block (Auction 73) or C2 Block (Auction 76) Licenses

- The activity-based formula tailors MABs to bidding activity — initially 10-20% higher than the current price estimates (CPEs).
- For C Block or C2 Block licenses for which the PWB is an individual license bid, the CPE is the PWB amount (as is the case for licenses not subject to package bidding).



Bid Amounts

Licenses Subject to Package Bidding

C Block (Auction 73) or C2 Block (Auction 76) Licenses

- For licenses for which the PWB is a package bid, the license CPEs must be calculated.
- CPEs for the licenses in the package are constructed by scaling up the bids on the individual licenses so that the sum of the license CPEs equals the provisionally winning package bid.

(PN DA07-4171, Attachment H)



Bid Amounts

Click-Box Bidding

- When placing a bid, a bidder selects from a limited number of bid amounts in the bidding system.
- For most licenses, only one bid amount, the minimum acceptable bid (MAB), will be available.
- For C Block or C2 Block licenses:
 - 3 bid amounts (MAB + 2 amounts) per license
 - 1 bid amount (the MAB) per package



Bid Amounts

- For activity and eligibility, the dollar amount of a bid does not matter.
- Your upfront payment does not limit the dollar amount you may bid in the auction.



Provisionally Winning Bids

- For licenses not subject to package bidding, PWBs are the highest bid amount received for each license.
- For licenses subject to HPB, the FCC Auction System determines which combination of individual and package bids yields the highest aggregate gross bid amount.



What if you change your mind?

Bidders can do the following:

- Remove Bids
- Withdraw Bids
- Drop Bids



Remove Bids

You can remove a bid you placed during the current round. If you place a bid during a round and then remove that bid before the end of the round, it's as if it never happened.



Withdraw Bids

For most licenses — not C Block or C2 Block — you can withdraw provisionally winning bids that were placed in previous rounds.

- Each bidder will have only one round in which they can withdraw bids.
- Once a withdrawal is submitted during a round, that withdrawal cannot be unsubmitted even if the round has not yet ended.
- Be aware that there may be financial consequences to withdrawing bids.



Drop Bids

Applies to C Block or C2 Block bids from previous rounds that are not provisionally winning.

- Bidders are allowed a limited number of opportunities to “drop” (opt out of) non-provisionally winning bids from further consideration in the auction.
- It is possible for a bid on a C or C2 Block license to become provisionally winning many rounds after it was placed.
 - SMR-HPB considers C/C2 Block bids made in previous rounds when determining PWBs.



Drop Bids

Drop bid restrictions:

- Each bidder will have only one round in which they can drop bids.
- A bidder that is provisionally winning on a package cannot drop bids on licenses in that package.
- A bidder that drops its bids on a license or package cannot submit any more bids on that particular license or package.
- A bidder that drops its bids on a license cannot submit any more bids on the package containing that license.



The SecurID® Token



- Multiple tokens sent to all bidders
- Same tokens for Auction 73 and Auction 76
- Random number refreshes every 60 seconds
- Countdown indicator
- Please return to the FCC for recycling



To Ensure a Positive Auction Experience

Do your homework.

- Read all public notices related to this auction.

Participate in the mock auction.

- Test backup strategies and activate all SecurID cards.
- Use Auction Bidder Line to ask “what if” questions.

Check for and read all announcements to stay informed.

- Bidding schedule
- Auction parameter changes

Bid Early!

- Print round summaries.



Software Disclaimer

The FCC Auction System that you are about to see will continue to undergo testing. Based on testing results, the software might be modified between now and the beginning of Auction 73.