

Auction 62

From: Brian Lane [marqueebroadcasting@yahoo.com]
To: Auction 62
Cc:
Subject: Auction No. 62 Comments
Attachments:

Sent: Fri 4/29/2005 5:54 PM

Marquee Broadcasting, Inc.
4400 Brookeville Road
Brookeville, MD 20833

Office of the Secretary
Attn: WTB/ASAD
445 12th Street, SW
Washington, DC 20554

April 29, 2005

Dear Secretary:

Thank you for the opportunity to comment on DA 05-1076 seeking comments on procedures for the upcoming FM auction number 62. I was a participant in the recently completed Auction 37 and would like to share the thoughts of a first time entrant into any media property.

First, I would like to say that Auction 37 went very smoothly and I found the FCC staff to be extremely helpful throughout the process. Rarely have I encountered a federal government agency so accessible and friendly.

I. Auction Structure

A. Simultaneous Multiple-Round Auction Design

Although it is an unusual format, I thought it worked reasonably well.

B. Upfront Payments and Bidding Eligibility

This system works reasonably well. Given the lack of any CP in Auction 37 to have a bid of less than \$50,000, and the chance of default by small bidders, it might be a good idea to raise the minimum bidding units/upfront payment to \$5000 for any CP. There are several CPs that cover thinly populated areas that are priced at 1500 bidding units. As it is remote that bidding would ever occur under 5000, I would propose that the minimum bidding unit be raised to 5000. It will also help bidders keep their bidding units in round numbers.

C. Activity Rules

The 100 percent activity rule of Auction 37 was very difficult on bidders. Although activity rules are useful in forcing a bidder to bid every round, I suspect that it was counterproductive to getting the highest bid for the government in that a bidder may lower his eligibility to bid when the price gets too high on a certain CP. After a weekend of reflection, a bidder might decide that he/she would like to bid again on the CP, but now are effectively precluded by the reduced bidding units. I would think that the Commission would like to encourage persons to reenter the bidding later, depending on the bidding for other

properties. For example, if two CPs are near one another, a successful bidder for one may wish to bid higher on the nearby CP, but if he gave up on it earlier, he would be precluded from doing so.

To the Commission's credit, you propose only a 75% activity rule for Stage One and a 95% activity requirement for Stage Two. I would urge the Commission to adopt a 50% activity level for Stage One (which I believe should be rounds 1 - 20) and a 75% activity level for Stage Two. I do not believe, based on the experience of Auction 37, that it would delay the auction, and I believe it would maximize the price you might receive by allowing bidders to watch events unfold on several CPs they are interested in without being forced to drop out. If the Commission finds this to be unacceptable, then I propose that there be a "sudden death" Stage Three if the auction reaches round 40. In that case, there would be a 100% activity requirement. It would force a quick end to things.

D. Activity Waivers

Rather than three activity waivers, I would propose five. Since Auction 37 lasted approximately two weeks, there is a chance that bidders will be unavailable from time-to-time to make a bid. Having two extra waivers might help those bidders who encounter an emergency during bidding.

E. Auction Delay or Cancellation

Obviously, the Commission should retain the authority to delay, cancel, or restart the Auction due to events that effect the integrity of the Auction.

II. Bidding Procedures

A. Round Structure

One thing I found odd about Action 37 was that round one was the longest round. Bidders had been planning their bidding strategies for months as to which CPs to bid upon, yet they were permitted hours to make these same bids. I am sensitive to the fact that the first round may be especially long to allow bidders to become used to the system, but I think the first round should be no more than an hour in length. It is only after the first round that bidders begin to adapt their strategies to the bidding of others, and may require more time.

B. Reserve Price or Minimum Opening Bid

As I stated above, there should be a minimum of 5000 bid units for any CP, and same for upfront payments.

As for minimum opening bid, there are always a few mispriced CPs in an auction. For example, in Auction 37, Teec Nos Pos, AZ had a minimum bid of \$70,000. Someone actually bid that amount in round one, not having done their due diligence, and were likely surprised that no one else bid. Eventually, that bidder withdrew his bid in a latter round when he likely realized that the station was on very sparsely populated tribal land. There were other CPs that did not attract a bid for some time.

I believe there should be an automatic adjustment feature built it to Auction 62. If no one bids on a CP for the first 10 rounds, its minimum bid should be reduced 50%. If no one bids in the next 10 rounds, then it should drop 50% again. For example, if no one bid on Teec

Nos Pos for the first 10 rounds, the auction staff would announce a new minimum bid of \$35,000 for the CP. If it still did not attract a bid, it would drop to \$17,500. Thus, it would be the bidders that would help the auction staff adjust for any mistake in valuation.

Alternatively, you could keep the bidding units as you have them, but, consistent with Section 309(j), abolish minimum bids for all properties. That might be hard to program into the automated bidding system, however, so I think my idea above would be easier to implement through a small number of manual overrides.

C. Bid Increments

I feel strongly that the bid increments are fine as proposed for the first 10 rounds or so, but after that, minimum bid increments should be reduced to 5%. Alternatively, the computer could switch to 5% increments once the current high bid passed \$100,000. It might be easier to program. I know I would have bid higher on some CPs had there been a choice to bid less than 10% higher. When a CP is at \$500,000, for example, and there is only one other bidder, it is aggravating to not have the option of going up less than \$50,000. You might have gone to \$525,000 to see if the other bidder would drop out, but you are deterred from jumping that significant amount. It became even more troubling, I am sure, for those bidders who were bidding over \$1 million for a CP. I stopped bidding on two CPs in Auction 37 because of the 10% rule. I would have kept bidding if there had been something less like a 5% or, even better, a 3% rule.

By discouraging bidding in smaller increments, you make it harder on smaller entities, but you also end up collecting less money per CP for the Treasury. Thank you for the opportunity to comment.

Sincerely,

Brian Lane

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