

# **Spectrum Auction Process and Integrated Spectrum Auction System**

## **Auction No. 64 Full Power Television**

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January 11, 2005



# 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 relating to Full Power Television, rules relating to application and auction procedures, and the procedures, terms and conditions contained in the Auction No. 64 public notices.



# Questions?

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

[Auction64@fcc.gov](mailto:Auction64@fcc.gov)





This symbol indicates a common question slide



# Agenda

Overview of the FCC's Simultaneous Multiple Round (SMR) Auction Design and Terminology

Discuss Auction No. 64 Rules and Procedures

Presentation and Hands-on Demonstration of the FCC's Integrated Spectrum Auction System



# Simultaneous Multiple Round (SMR) Auction Design

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



## 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 nothing happens.
  - No new bids or proactive waivers.



# Auction Design (continued)

- Web-Based Bidding System
  - Option to bid via Auction Bidder Line
- Click-Box Bidding
  - When placing a bid, a bidder selects from nine bid amounts in the bidding system.



# Auction Design

## (continued)

- When a round ends, results are processed and made public.
  - Including provisionally winning bids (PWBs), all bids and waivers
  - In the event of tied bids, PWBs are determined by random number selection
- Activity Requirements
  - Bidders must generally bid throughout the auction.



# What are Bidding Units?



- A fixed number of units that is assigned to each permit in the auction.
- The number of bidding units for each permit is listed in Attachment A to the procedures public notice.
- Bidding units are used to measure bidders' activity and eligibility.



# Bidding Units and Eligibility

**Eligibility** — The maximum number of bidding units a bidder can bid on.

- A bidder establishes its eligibility with its upfront payment.
- Eligibility cannot be increased.
- Eligibility is *not* specific to certain permits. A bidder may use its eligibility on any of a number of permits it has selected on its 175 application.



# Bidding Units and Activity

**Activity** — The sum of the bidding units for

- the permits on which a bidder places bids in the current round, and
- permits on which a bidder has provisionally winning bids from a previous round.



# 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 Requirement

## Auction No. 64

### Two Stage Auction

- Stage 1: 75% activity requirement

If a bidder has 10,000 bidding units of eligibility, its activity requirement is 7,500 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.



# Bidding Units in Action

**Example: You have 295,000 BU of eligibility and a 75% activity requirement (221,250 BU)**

Market	Description	Bidding Units	Upfront Payment
NTS002	Pueblo, CO	295,000	\$295,000
NTS006	Duluth, MN	100,000	\$100,000
NTS008	Bend, OR	80,000	\$80,000
NTS009	Victoria, TX	80,000	\$80,000

**What can you bid on?**

Pueblo or Duluth, Bend and Victoria

Not Duluth, Bend or Victoria by themselves (alone they do meet activity requirement)

Not Pueblo and Duluth; Not Pueblo and Bend; Not Pueblo and Victoria (exceeds eligibility)



# What if you change your mind?



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.



# What if you do not meet the activity requirement?



One of two things will happen:

- 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 the bidder's activity in the current round being below the required level.
- When a bidder uses an activity rule waiver, the waiver applies to that round of bidding, not to a particular permit.



# Activity Rule Waivers

- Bidders are provided with a limited number of activity rule waivers.
- In Auction No. 64, each bidder is provided three activity rule waivers.



# Automatic Waivers

The system will automatically apply a waiver for a bidder at the end of any round in which the bidder's activity is below the required level unless:

- The bidder has no more activity rule waivers.
- or
- The bidder reduces eligibility.



# Proactive Waivers

- Bidders can apply activity rule waivers proactively.
- The important difference between an automatic waiver and a proactive waiver is that a proactive waiver keeps the auction open.
- Bidding continues until there is one round in which nothing happens.
  - No new bids 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.



# Eligibility Reduction

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

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



# Reduce Eligibility in Action

**Example: You have 295,000 BU of eligibility and a 95% activity requirement (280,250 BU)**

Market	Description	Bidding Units	Upfront Payment
NTS002	Pueblo, CO	295,000	\$295,000
NTS006	Duluth, MN	100,000	\$100,000
NTS008	Bend, OR	80,000	\$80,000
NTS009	Victoria, TX	80,000	\$80,000

**Pueblo has exceeded your budget, what can you do?**

Place your bids on Duluth, Bend and Victoria and allow ISAS to automatically take a waiver when you do not meet your activity requirement.

- or -

Place your bids on Duluth, Bend and Victoria and then reduce your eligibility. ISAS will multiply your activity by 20/19 and **permanently** reduce your eligibility to 273,684 bidding units.



# Bid Amounts

- Minimum opening bids are established prior to the auction.
- Minimum acceptable bids are calculated using a smoothing formula.
  - The smoothing formula tailors the percentage increment to the activity that a construction permit receives.



# Bid Amounts

- For activity and eligibility, the dollar amount of a bid does not matter.
- How much can you bid? Any one of nine pre-defined dollar amounts.
- The upfront payment does not limit the amount you may bid for a license.



# The SecurID Card



Multiple cards sent to all bidders

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.



# Auction Conceptual Design

