

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

## **Auction No. 66 Advanced Wireless Services (AWS-1)**

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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 relating to Advanced Wireless Services, rules relating to application and auction procedures, and the procedures, terms and conditions contained in the Auction No. 66 public notices.



# Agenda

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

Discuss Auction No. 66 Rules and Procedures

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





This symbol indicates a  
common question slide.



# Questions?

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

[Auction66@fcc.gov](mailto:Auction66@fcc.gov)



# 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, withdrawals 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.
- Activity Requirements
  - Bidders must generally bid throughout the auction.





# Auction Design

## (continued)

- Special features for Auction No. 66
  - If the modified eligibility ratio is three or above, the auction will commence in full disclosure mode.
  - If the modified eligibility ratio is below three, the auction will commence in limited disclosure mode.



# Auction Design

## (continued)

- Bidding system information that will be released at the close of each round during the auction when in limited disclosure mode:
  - For each license, the provisionally winning bid amount, the minimum acceptable bid amount for the next round, the number of bids in the most recent round, and whether the license is FCC-held.
  - The amounts of all bids placed on each license in each round will be available in a separate report (bidder identities will be withheld).



# What are Bidding Units?



- A fixed number of units that is assigned to each license in the auction.
- The number of bidding units for each license 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 licenses. A bidder may use its eligibility on any of a number of licenses it has selected on its 175 application.



# Bidding Units and Activity

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

- 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.



# 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. 66

### Two Stage Auction

- 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.



# Bidding Units in Action

**Example: You have 300,000 BU of eligibility and an 80% activity requirement (240,000 BU)**

Market	Description	Bidding Units	Upfront Payment
CMA122	Binghamton, NY	295,000	\$295,000
CMA301	Lawrence, KS	100,000	\$100,000
CMA435	Ellsworth, KS	80,000	\$80,000
CMA490	Pipestone, MN	80,000	\$80,000

**What can you bid on?**

Binghamton or Lawrence, Ellsworth and Pipestone

Not Lawrence, Ellsworth or Pipestone by themselves  
(does not meet activity requirement)

Not Binghamton and Lawrence; Not Binghamton and Ellsworth; Not Binghamton and Pipestone (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.
- You can withdraw provisionally winning bids from a previous round. Once a withdrawal is submitted during a round, that withdrawal cannot be unsubmitted even if the round has not yet ended.
  - Each bidder will have only two rounds in which withdrawals can be made.
  - Be aware that there may be financial consequences to withdrawals.



# 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 license.



# Activity Rule Waivers

- Bidders are provided with a limited number of activity rule waivers.
- In Auction No. 66, 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, 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.



# 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 licenses, and does not want to use an activity rule waiver.





# Reduce Eligibility in Action

**Example: You have 300,000 BU of eligibility and a 95% activity requirement (285,000 BU)**

Market	Description	Bidding Units	Upfront Payment
CMA122	Binghamton, NY	295,000	\$295,000
CMA301	Lawrence, KS	100,000	\$100,000
CMA435	Ellsworth, KS	80,000	\$80,000
CMA490	Pipestone, MN	80,000	\$80,000

**You are no longer want Binghamton, what can you do?**

Place your bids on Lawrence, Ellsworth and Pipestone, and allow ISAS to automatically use one of your waivers when you do not meet the activity requirement.

– or –

Place your bids on Lawrence, Ellsworth and Pipestone, and then reduce your eligibility. ISAS will multiply your current activity (260,000 bu) 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 an activity-based formula.
  - The activity-based 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.

