

Spectrum Auction Process and Integrated Spectrum Auction System

Auction No. 70 FM Broadcast

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December 6, 2006



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 FM Broadcast, rules relating to application and auction procedures, and the procedures, terms and conditions contained in the Auction No. 70 public notices.



Agenda

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

Discuss Auction No. 70 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...

Auction70@fcc.gov



Simultaneous Multiple Round (SMR) Auction Design

- **Simultaneous** — All construction permits 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.
- Note: Withdrawals will not be allowed in Auction No. 70



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 bid amounts in the bidding system.
- Activity Requirements
 - Bidders must generally bid throughout the auction.



What are Bidding Units?



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



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 construction permits. A bidder may use its eligibility on any of a number of construction permits it has selected on its 175 application.



Bidding Units and Activity

Activity — The sum of the bidding units for

- the construction permits on which a bidder places bids in the current round, and
- construction 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. 70

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 200,000 BU of eligibility and a 75% activity requirement (150,000 BU)

Market	Description	Bidding Units	Upfront Payment
FM540-A	Burgin, KY	200,000	\$200,000
FM535-A	Woodbury, GA	50,000	\$50,000
FM536-A	Young Harris, GA	50,000	\$50,000
FM508-A	Rison, AR	50,000	\$50,000

What can you bid on?

- Burgin or Woodbury, Young Harris and Rison
 - (200,000 BU & 150,000 BU, respectively)
- Not Woodbury, Young Harris or Rison by themselves
 - (50,000 BU; does not meet activity requirement)
- Not Burgin and any of the other construction permits
 - (200,000 + 50,000 = 250,000 BU; 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.
- In Auction No. 70, provisionally winning bids cannot be withdrawn.



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 construction permit.



Activity Rule Waivers

- Bidders are provided with a limited number of activity rule waivers.
- In Auction No. 70, 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 construction permits, and does not want to use an activity rule waiver.



Reduce Eligibility in Action

Example: You have 200,000 BU of eligibility and a 95% activity requirement (190,000 BU)

Market	Description	Bidding Units	Upfront Payment
FM540-A	Burgin, KY	200,000	\$200,000
FM535-A	Woodbury, GA	50,000	\$50,000
FM536-A	Young Harris, GA	50,000	\$50,000
FM508-A	Rison, AR	50,000	\$50,000

You no longer want Burgin. What can you do?

Place your bids on Woodbury, Young Harris and Rison, and allow ISAS to automatically use one of your waivers when you do not meet the activity requirement.

– or –

Place your bids on Woodbury, Young Harris and Rison, and then reduce your eligibility. ISAS will multiply your current activity (150,000 BU) by 20/19 and **permanently** reduce your eligibility to 157,895 bidding units.



Bid Amounts

- Minimum opening bids are established prior to the auction.
- Minimum acceptable bids are calculated by multiplying the provisionally winning bid amount times one plus the minimum acceptable bid percentage (10%).
 - The Bureaus retain the discretion to change the minimum acceptable bid percentage.



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 construction permit.



The SecurID® Key Fob



- Multiple key fobs 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® key fobs.
- 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.

