



Overview of Auction Process & FCC Auction System

Auction 78
AWS-1 and Broadband PCS

Roy Knowles
Auctions and Spectrum Access Division

June 10, 2008



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 Advanced Wireless and Broadband Personal Communication Services, rules relating to application and auction procedures, and the procedures, terms and conditions contained in the Auctions 78 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 08-1090, the Bureau has discretion to manage the auction and change certain parameters.



Agenda

- Overview of auction design and terminology
- Discussion of Auction 78 rules and procedures
- 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...

Auction78@fcc.gov



This symbol indicates a
common question slide.



Auction Design Highlights

- Simultaneous Multiple Round Auction
- Limited Information Disclosure
("Anonymous Bidding")



Auction Design Highlights

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



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 08-1090, Attachment A.
- 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 Auction 78

- 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
AW-CMA335-A	Arkansas 12 - Ouachita	113,000	\$113,000
AW-CMA377-A	Georgia 7 - Hancock	84,000	\$84,000
AW-CMA546-A	Nevada 4 - Mineral	23,000	\$23,000

What can you bid on?

- Arkansas 12 or both Nevada 4 and Georgia 7
- Not Georgia 7 or Nevada 4 by themselves (below activity requirement)
- Not Arkansas 12 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 Auction 78, each bidder will have three activity rule waivers.
- 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
AW-CMA335-A	Arkansas 12 - Ouachita	113,000	\$113,000
AW-CMA377-A	Georgia 7 - Hancock	84,000	\$84,000
AW-CMA546-A	Nevada 4 - Mineral	23,000	\$23,000

You want to stop bidding on Arkansas 12. What can you do?

- Place your bids on Georgia 7 and Nevada 4, and allow one of your waivers to be used automatically when you do not meet the activity requirement.

or

- Place your bids on Georgia 7 and Nevada 4, and then reduce your eligibility. Your current activity (107,000 BU) will be multiplied by 20/19, and your eligibility will be reduced to 112,632 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 Click-Box Bidding

- When placing a bid, a bidder selects from a limited number of bid amounts in the bidding system.
- There will be 9 bid amounts per license
 - the minimum acceptable bid (MAB) plus 8 additional bid amounts
 - In rare cases where rounding causes duplicate bid amounts, the duplicate bid amounts will not be available



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

- PWBs are the highest bid amount received for each license.
- In the event that identical high bid amounts are submitted, the tied bid with the highest random number wins the tiebreaker and becomes the provisionally winning bid



What if you change your mind?

Bidders can do the following:

- Remove Bids
- Withdraw 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

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.



The SecurID[®] Token



- Multiple tokens 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 Tokens.
- 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 78.