



Auction Process & FCC Auction System

Auction 79
FM Broadcast

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June 16, 2009



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 FM Broadcast, rules relating to application and auction procedures, and the procedures, terms and conditions contained in the Auction 79 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 09-810, the Bureau has discretion to manage the auction and change certain parameters.



Agenda

- Overview of auction design and terminology
- Discussion of Auction 79 rules and procedures
- Presentation of the FCC's Integrated Spectrum Auction System



Questions?

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

Auction79@fcc.gov



This symbol indicates a common question slide.



Auction Design

Simultaneous Multiple Round (SMR)

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



Auction Design

Round Structure

- Each round is followed by the release of round results
- 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 new bids placed
 - No proactive waivers submitted



Auction Design

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

Bidding

- When placing a bid, a bidder selects from bid amounts in the bidding system.
 - Bid amounts are displayed in dollars
- Minimum opening bids have already been established.



Auction Design

Bidding

- After a construction permit has received a bid, 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.



Auction Design

Bidding

- How much can you bid? There will be nine pre-defined dollar amounts for each construction permit.
- The upfront payment does not limit the amount you may bid for a construction permit.



Auction Design

Provisionally Winning Bids (PWB)

- PWBs are the highest bid amount received for each construction permit.
- 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



Auction Design

Activity Requirements

- Bidders generally must bid throughout the auction to maintain their activity.
 - A bidder's activity is displayed in bidding units



What are bidding units (bu)?

- A fixed number assigned to each construction permit
- The number of bidding units for each construction permit is listed in DA 09-810, 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 construction permits. A bidder may use its eligibility on any of the construction permits it has selected on its FCC Form 175 auction application.

▶ Required Activity:	150,000 bu	▶ <u>Activity</u> :	175,000 bu	▶ Eligibility:	200,000 bu
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Bidding Units and Activity

Activity — The sum of bidding units of

- 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
 - Bidding units for a given construction permit are counted only once per round.

▶ Required Activity: 150,000 bu

▶ Activity: 175,000 bu

▶ Eligibility: 200,000 bu



Bidding Units and Required Activity

Required Activity — 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.

▶ Required Activity: 150,000 bu

▶ Activity: 175,000 bu

▶ Eligibility: 200,000 bu



Activity Requirements

Two Stages Planned for Auction 79

- 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.

- Number of stages and percentage requirements subject to change



Bidding Units in Action

Example You have 200,000 BU of eligibility and an 75% activity requirement (150,000 BU)

Construction Permit	Description	Bidding Units	Upfront Payment
MM-FM735-A	Lynchburg, VA	150,000	\$150,000
MM-FM636-A	Cambria, CA	90,000	\$90,000
MM-FM706-C2	Detroit, TX	70,000	\$70,000

What can you bid on?

- Lynchburg or both Cambria 4 and Detroit
- Not Cambria or Detroit by themselves
(does not meet activity requirement)
- Not Lynchburg and either of the other permits
(exceeds eligibility)



What happens if you are
below 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 construction permit.



Activity Rule Waivers

- In Auction 79, each bidder will have three activity rule waivers.
- Waivers can be applied automatically or proactively.



Automatic Waiver

A waiver automatically applied for a bidder at the end of a round in which the bidder's activity is below the required activity, unless:

- The bidder does not have any waivers left



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.



Proactive Waiver

A waiver submitted by the bidder during the bidding round to preserve eligibility in a round when the bidder does not meet the activity requirement

- Difference between automatic and proactive waivers: Proactive waivers keep the auction open.
 - Bidding continues until there is a round with no new bids or proactive waivers.



Eligibility Reduction

“Reduce Eligibility” is a 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 construction permits, and does not want to use an activity rule waiver.



Eligibility Reduction

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

Construction Permit	Description	Bidding Units	Upfront Payment
MM-FM735-A	Lynchburg, VA	150,000	\$150,000
MM-FM636-A	Cambria, CA	90,000	\$90,000
MM-FM706-C2	Detroit, TX	70,000	\$70,000

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

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

or

- Place your bids on Cambria and Detroit, and then reduce your eligibility. Your current activity (160,000 BU) will be multiplied by 20/19, and your eligibility will be reduced to 168,422 BU.



Remove Bids

“Remove Bids” is a function of the auction system.

- You can remove a bid 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.



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.