

Spectrum Auction Process and FCC's Auction System

Auction 85

LPTV and TV Translator Digital Companion Channels

Roy Knowles, Wireless Telecommunications Analyst,
Auctions and Spectrum Access Division

October 1, 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 an applicant's review of the Commission's relevant orders, rules, and public notices. Applicants must familiarize themselves thoroughly and remain current with the Commission's rules relating to low power television, television translator, and Class A television broadcast rules relating to application and auction procedures, and the procedures, terms and conditions contained in the Auction 85 public notices.



Agenda

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

Discuss Auction 85 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 over the web, please feel free to e-mail your questions to...

Auction85@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.



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.



Auction Application Manager

Upfront Payment Calculator

Calculating Your Upfront Payment

Applicants are solely responsible for determining the amount of their upfront payment. In most FCC auctions, the amount of the upfront payment determines initial bidding eligibility. In calculating an upfront payment amount, an applicant should determine the maximum number of bidding units on which it may wish to be active (bid on or hold provisionally winning bids on) in any given round, and submit an upfront payment amount covering that number of bidding units. The upfront payment calculator may assist applicants in determining an amount. However, regardless of whether they use the upfront payment calculator, applicants should check their calculations carefully, as there is no provision for increasing a bidder's eligibility after the upfront payment deadline.

The following table lists all available permits based on selections in your submitted FCC Form 175. The upfront payment calculator will help you to determine the appropriate upfront payment amount to submit with your Form 159. Use of the upfront payment calculator is always optional; you can type another amount in the Total Upfront Payment field or Total Bidding Units field, if desired. Please refer to the [Auction No. 185 Procedures](#) public notice for a complete explanation of upfront payments and bidding eligibility.

Eligibility is not permit specific. You do not have to make an upfront payment to cover all permits for which you have applied on FCC Form 175, but rather to cover the maximum number of bidding units that are associated with permits on which you wish to place bids and hold provisionally winning bids in any single round. In order to calculate a total upfront payment, an applicant should add together the bidding units for all permits on which it seeks to be active in any given round, and submit an upfront payment amount covering that number of bidding units. Please refer to the [Auction No. 185 Procedures](#) public notice for further explanation.

To use the Upfront Payment Calculator, do the following:

1. Select all permits on which you seek to be active in any given round. The calculator will automatically calculate the total bidding units (maximum eligibility) and upfront payment amount for those permits.
2. To save the total upfront payment amount and carry it through to Form 159, click the "Carry to 159" button.

Please note that if you selected 1,000 or more permits, the calculator will not display the list or keep a running total of bidding units. If you have selected 1,000 or more permits, simply type in the total number of bidding units for which you want to establish your maximum eligibility. The calculator will then automatically calculate the corresponding upfront payment amount.

About the Former Defaulter's Calculation

The upfront payment amount required for former defaulters may be higher than that for applicants who have never been in default. The upfront payment calculator will adjust the upfront payment amount accordingly. Refer to the Procedures PN for more information.

Available Permits

Select (All Clear)	Permit Number	Location	Bidding Units	Upfront Payments
<input type="checkbox"/>	TX-MX001	Arlington, VA	1,000	\$1,000
<input type="checkbox"/>	TX-MX002	Alexandria, VA	1,000	\$1,000
<input type="checkbox"/>	TX-MX003	Fairfax, VA	1,000	\$1,000
<input type="checkbox"/>	TX-MX004	Falls Church, VA	1,000	\$1,000
<input type="checkbox"/>	TX-MX005	Herndon, VA	1,000	\$1,000
<input type="checkbox"/>	TX-MX006	Washington, DC	1,000	\$1,000
			Total Bidding Units	Total Upfront Payment
			<input type="text"/>	\$ <input type="text"/>
			<input type="button" value="CARRY TO 159"/>	<input type="button" value="BLANK FORM 159"/>
			<input type="button" value="CLOSE WINDOW"/>	

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 85

Single Stage Auction

- 100% activity requirement

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



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 85, 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 85, 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.



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.

