



# Auction Process & FCC Auction System

Auction 86  
Broadband Radio Service

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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, orders, and public notices relating to Broadband Radio Service, rules relating to application and auction procedures, and the procedures, terms and conditions contained in the Auction 86 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 09-1376, the Bureau has discretion to manage the auction and change certain parameters.



# Agenda

- Overview of auction design and terminology
- Discussion of Auction 86 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...

[Auction86@fcc.gov](mailto:Auction86@fcc.gov)



This symbol indicates a common question slide.



# Auction Design

## Simultaneous Multiple Round (SMR) with Limited Information Disclosure

- **Simultaneous** — All licenses offered at the same time
- **Multiple Round** — Multiple discrete bidding rounds during which bidding is confidential
- **Limited Information Disclosure** — “Anonymous Bidding”



# Auction Design

## Round Structure

- Initial schedule of bidding rounds is announced in advance.
- Each round is followed by the release of round results.
- Changes to bidding schedule are announced in the FCC Auction System (e.g., more rounds per day as auction progresses).



# Auction Design

## Limited Information Disclosure ("Anonymous Bidding")

We will withhold, until after the close of bidding, public release of

- Bidders' license selections on their short-form applications
- The amounts of bidders' upfront payments and bidding eligibility
- Any information that may reveal the identities of bidders placing bids and taking other bidding-related actions.



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
  - No withdrawals



# 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 in a drop-down box
- Minimum opening bids have already been established.



# Auction Design

## Bid Amounts

- After a license has received a bid, minimum acceptable bids (MABs) are determined using an activity-based formula that tailors the MAB to bidding activity — initially 10-30% higher than the current PWB.
  - The Bureau retains the discretion to change the MAB percentage.
- Additional Bid Amounts are calculated using the minimum acceptable bid amount plus a bid increment percentage — initially 5% higher than the MAB.



# Auction Design

## Bidding

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



# Auction Design

## Provisionally Winning Bids (PWB)

- 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



# Auction Design

## Activity Requirements

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



## What are bidding units (bu)?

- A fixed number assigned to each license
- The number of bidding units for each license is listed in DA 09-1376, 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.

▶ Required Activity: 150,000 bu

▶ Activity: 175,000 bu

▶ Eligibility: 200,000 bu



# 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.

▶ 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.
- The percentage is based on the stage of the auction.

▶ Required Activity: 150,000 bu

▶ Activity: 175,000 bu

▶ Eligibility: 200,000 bu



# Activity Requirements

## Two Stages Planned for Auction 86

- Stage 1: 90% activity requirement  
If a bidder has 10,000 bidding units of eligibility, its activity requirement is 9,000 bidding units.
- Stage 2: 98% activity requirement  
If a bidder has 10,000 bidding units of eligibility, its activity requirement is 9,800 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 90% activity requirement (180,000 BU)**

License	Description	Bidding Units	Upfront Payment
BR-BTA139	Farmington, NM - Durango, CO	199,000	\$199,000
BR-BTA023	Athens, OH	100,000	\$100,000
BR-BTA182	Harrison, AR	88,000	\$88,000

## What can you bid on?

- Farmington - Durango or both Athens and Harrison
- Not Athens or Harrison by themselves  
(does not meet activity requirement)
- Not Farmington - Durango and either of the other licenses  
(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 license.



# Activity Rule Waivers

- In Auction 86, 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, proactive waivers or withdrawals.



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



# Eligibility Reduction

**Example You have 200,000 BU of eligibility and a 98% activity requirement (196,000 BU)**

License	Description	Bidding Units	Upfront Payment
BR-BTA139	Farmington, NM-Durango, CO	199,000	\$199,000
BR-BTA023	Athens, OH	100,000	\$100,000
BR-BTA182	Harrison, AR	88,000	\$88,000

**You want to stop bidding on Farmington - Durango. What can you do?**

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

or

- Place your bids on Athens and Harrison, and then reduce your eligibility. Your current activity (188,000 BU) will be multiplied by 50/49, and your eligibility will be reduced to 191,837 BU.



# What if you change your mind on a submitted bid?

Bidders can do the following:

- Remove Bids
- Withdraw Bids



# 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.



# Withdraw Bids

A bidder 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.