

## II. Auction Structure

### A. Simultaneous Multiple Round (SMR) Auction Design

11. The Bureau proposes to award all licenses included in Auction No. 53 in a simultaneous multiple-round auction. As described further, this methodology offers every license for bid at the same time with successive bidding rounds in which bidders may place bids. The Bureau seeks comment on this proposal.

### B. Upfront Payments and Initial Maximum Eligibility

12. The Bureau has been delegated authority and discretion to determine an appropriate upfront payment for each license being auctioned, taking into account such factors as the population in each geographic license area, and the value of similar spectrum. As described further, the upfront payment is a refundable deposit made by each bidder to establish eligibility to bid on licenses. Upfront payments related to the specific spectrum subject to auction protect against frivolous or insincere bidding and provide the Commission with a source of funds from which to collect payments owed at the close of the auction. With these guidelines in mind for Auction No. 53, the Bureau proposes to calculate upfront payments on a license-by-license basis.

13. The Bureau proposes to calculate upfront payments on a license-by-license basis for CEAs using the following formula:  $\$0.025 \times \text{License Area Population}$  with a minimum of \$1,000 per license.

14. Accordingly, the Bureau lists all CEA licenses, including the related license area population and proposed upfront payment for each license, in Attachment A of the *Auction No. 49 Comment Public Notice*. The Bureau seeks comment on this proposal.

15. The Bureau proposes to calculate upfront payments on a license-by-license basis for DMAs as follows: From the total upfront payment amount for all CEA licenses (\$7,139,300), subtract the upfront payments for CEA349–CEA354 (\$104,700), for a remainder of \$7,034,600. For each DMA (DMA001–DMA210), the upfront payment is calculated by multiplying \$7,034,600 by a percentage that is the ratio of television households in that DMA to the total television households in DMA001–DMA210, with a minimum of \$1,000 per license. The upfront payment for DMA211 is set at the minimum upfront payment amount of \$1,000. Upfront payments for DMA212–DMA214 are calculated as the sum of the upfront payments for the

corresponding CEA licenses.<sup>5</sup> Accordingly, the Bureau lists all DMA licenses, including the related percentage of total television households and proposed upfront payment for each license, in Attachment B of the *Auction No. 49 Comment Public Notice*. The Bureau seeks comment on this proposal.

16. The Bureau further proposes that the amount of the upfront payment submitted by a bidder will determine the number of bidding units on which a bidder may place bids. This limit is a bidder's "maximum initial eligibility." Each license is assigned a specific number of bidding units equal to the upfront payment listed in Attachment A of the *Auction No. 49 Comment Public Notice* (CEAs) or Attachment B of the *Auction No. 49 Comment Public Notice* (DMAs), on a bidding unit per dollar basis. This number does not change as prices rise during the auction. A bidder's upfront payment is not attributed to specific licenses. Rather, a bidder may place bids on any combination of licenses as long as the total number of bidding units associated with those licenses does not exceed the bidder's eligibility. Eligibility cannot be increased during the auction. Thus, in calculating its upfront payment amount, an applicant should determine the maximum number of bidding units it may wish to bid on (or hold high bids on) in any single round and submit an upfront payment covering that number of bidding units. The Bureau seeks comment on this proposal.

### C. Activity Rules

17. In order to ensure that the auction closes within a reasonable period of time, an activity rule requires bidders to bid actively on a percentage of their current bidding eligibility during each round of the auction rather than waiting until the end to participate. A bidder that does not satisfy the activity rule will either use an activity rule waiver (if any remain) or lose bidding eligibility for the next round.

18. The Bureau proposes to divide the auction into three stages, each characterized by an increased activity requirement. The auction will start in Stage One. The Bureau proposes that the auction generally will advance to the next stage (*i.e.*, from Stage One to Stage Two, and from Stage Two to Stage Three) when the auction activity level, as measured by the percentage of bidding units receiving new high bids,

is approximately twenty percent or below for three consecutive rounds of bidding. However, the Bureau further proposes that it retain the discretion to change stages unilaterally by announcement during the auction. In exercising this discretion, the Bureau will consider a variety of measures of bidder activity, including, but not limited to, the auction activity level, the percentage of licenses (as measured in bidding units) on which there are new bids, the number of new bids, and the percentage increase in revenue. The Bureau seeks comment on these proposals.

19. For Auction No. 53, the Bureau proposes the following activity requirements:

*Stage One:* In each round of the first stage of the auction, a bidder desiring to maintain its current eligibility is required to be active on licenses representing at least 80 percent of its current bidding eligibility. Failure to maintain the requisite activity level will result in a reduction in the bidder's bidding eligibility in the next round of bidding (unless an activity rule waiver is used). During Stage One, reduced eligibility for the next round will be calculated by multiplying the current round activity by five-fourths ( $\frac{5}{4}$ ).

*Stage Two:* In each round of the second stage, a bidder desiring to maintain its current eligibility is required to be active on 90 percent of its current bidding eligibility. During Stage Two, reduced eligibility for the next round will be calculated by multiplying the current round activity by ten-ninths ( $\frac{10}{9}$ ).

*Stage Three:* In each round of the third stage, a bidder desiring to maintain its current eligibility is required to be active on 98 percent of its current bidding eligibility. In this final stage, reduced eligibility for the next round will be calculated by multiplying the current round activity by fifty-forty-ninths ( $\frac{50}{49}$ ).

20. The Bureau seeks comment on these proposals. Commenters that believe these activity rules should be modified should explain their reasoning and comment on the desirability of an alternative approach. Commenters are advised to support their claims with analyses and suggested alternative activity rules.

### D. Activity Rule Waivers and Reducing Eligibility

21. Use of an activity rule waiver preserves the bidder's current bidding eligibility despite the bidder's activity in the current round being below the required minimum level. An activity rule waiver applies to an entire round

<sup>5</sup> That is, the upfront payment for DMA212 equals the sum of the upfront payments for CEA352–CEA354; for DMA213, the sum of the upfront payments for CEA350 and CEA351; and for DMA214, the upfront payment for CEA349.