



PUBLIC NOTICE

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June 7, 1999

FIRST PAGING SERVICE SPECTRUM AUCTION SCHEDULED FOR DECEMBER 7, 1999

COMMENT SOUGHT ON RESERVE PRICES OR MINIMUM OPENING BIDS AND OTHER AUCTION PROCEDURAL ISSUES

Report No. AUC-99-26-A (Auction No. 26)

By this Public Notice, the Wireless Telecommunications Bureau ("Bureau") announces the first in a series of auctions of Paging service licenses, scheduled to commence on December 7, 1999.¹ As discussed in greater detail herein, the Bureau proposes that the first Paging auction be composed of 2,499 licenses in the 929 and 931 MHz bands (the "Upper Bands Auction"). These licenses, which are available in 51 geographic areas known as Major Economic Areas (MEAs), encompass the United States, the Northern Mariana Islands, Guam, American Samoa, the United States Virgin Islands and Puerto Rico. In this Public Notice, we seek comment on this and other procedural issues relating to the Upper Bands Auction (Auction No. 26). Future public notices will include further details regarding application filing and payment deadlines, seminars, and other pertinent information for this auction. We will seek comment separately on procedural issues relating to the auction of licenses in the 35-36 MHz, 43-44 MHz, 152-159 MHz, and 454-460 MHz bands (collectively, the "Lower Bands Auctions").

I. Auction Sequence and License Groupings for the Paging Service Auctions

In the *Reconsideration Order*, the Commission concluded that the upper bands licenses should be awarded in each of 51 Major Economic Areas (MEAs), and the lower bands licenses should be awarded in each of 175 Economic Areas (EAs).² There are 12 channels in the 929 MHz band

¹ The Commission recently modified and clarified the Paging service and competitive bidding rules. See Revision of Part 22 and Part 90 of the Commission's Rules to Facilitate Future Development of Paging Systems, *Memorandum Opinion and Order on Reconsideration and Third Report and Order*, FCC 99-98 (rel. May 24, 1999). ("Reconsideration Order").

² See *Reconsideration Order*, FCC 99-98, ¶¶ 16-21.

and 37 channels in the 931 MHz band, resulting in a total of 2,499 upper bands paging licenses. There is a significantly larger number of lower bands licenses (approaching 14,000); therefore, the Commission proposes to auction the upper bands licenses first and will seek comment on procedures and license groupings for the lower bands licenses at a later time. We seek comment on this proposal.

The following tables contain the proposed Block / Frequency Cross Reference List for the 929 MHz and 931 MHz bands.

929 MHz Paging Channels

Block (License Suffix)	Frequency	Block (License Suffix)	Frequency
A	929.0125	G	929.4625
B	929.1125	H	929.6375
C	929.2375	I	929.6875
D	929.3125	J	929.7875
E	929.3875	K	929.9125
F	929.4375	L	929.9625

931 MHz Paging Channels

Block (License Suffix)	Frequency	Block (License Suffix)	Frequency	Block (License Suffix)	Frequency
AA	931.0125	AN	931.3375	AZ	931.6375
AB	931.0375	AO	931.3625	BA	931.6625
AC	931.0625	AP	931.3875	BB	931.6875
AD	931.0875	AQ	931.4125	BC	931.7125
AE	931.1125	AR	931.4375	BD	931.7375
AF	931.1375	AS	931.4625	BE	931.7625
AG	931.1625	AT	931.4875	BF	931.7875
AH	931.1875	AU	931.5125	BG	931.8125
AI	931.2125	AV	931.5375	BH	931.8375
AJ	931.2375	AW	931.5625	BI	931.8625
AK	931.2625	AX	931.5875	BJ	931.9625
AL	931.2875	AY	931.6125	BK	931.9875
AM	931.3125				

II. Reserve Price or Minimum Opening Bid for the Upper Bands Auction (Auction No. 26)

The Balanced Budget Act of 1997 calls upon the Commission to prescribe methods by which a reasonable reserve price will be required or a minimum opening bid established when FCC licenses are subject to auction (*i.e.*, because the Commission has received mutually exclusive applications for them), unless the Commission determines that a reserve price or minimum bid is not in the public interest.³ Consistent with this mandate, the Commission has directed the Bureau to seek comment on the use of a minimum opening bid and/or reserve price prior to the start of each auction.⁴ The Bureau was directed to seek comment on the methodology to be employed in establishing each of these mechanisms. Among other factors the Bureau should consider is the amount of spectrum being auctioned, levels of incumbency, the availability of technology to provide service, the size of the geographic service areas, issues of interference with other spectrum bands, and any other relevant factors that reasonably could have an impact on valuation of the spectrum being auctioned. The Commission concluded that the Bureau should have the discretion to employ either or both of these mechanisms for future auctions.⁵

Normally, a reserve price is an absolute minimum price below which an item will not be sold in a given auction. Reserve prices can be either published or unpublished. A minimum opening bid, on the other hand, is the minimum bid price set at the beginning of the auction below which *no bids* are accepted. It is generally used to accelerate the competitive bidding process. Also, in a minimum opening bid scenario, the Bureau generally has the discretion to lower the amount later in the auction. In the event that a license is not sold in an auction, the Bureau also may lower the minimum opening bid or reserve price for that license in subsequent auctions. In anticipation of the first Paging service auction and in light of the Balanced Budget Act, the Bureau proposes to establish minimum opening bids for the Upper Bands Auction, and retain discretion to lower the minimum opening bids. The Bureau believes that the use of minimum opening bids is an effective auctions practice which has been used successfully in prior Commission auctions.⁶ A minimum opening bid, rather than a reserve price, will help to regulate the pace of the auction. Specifically, the Bureau proposes the following formula for calculating minimum opening bids on a license-by-license basis in the Upper Bands Auction (Auction No. 26):

³ Section 3002(a), Balanced Budget Act of 1997, Pub. L. 105-33, 111 Stat. 251 (1997) ("Budget Act"); 47 U.S.C. § 309(j)(4)(F). The Commission's authority to establish a reserve price or minimum opening bid is set forth in 47 C.F.R. § 1.2104(c) and (d).

⁴ See Amendment of Part 1 of the Commission's Rules – Competitive Bidding Procedures, Allocation of Spectrum Below 5 GHz Transferred from Federal Government Use, 4660-4685 MHz, WT Docket No. 97-82, ET Docket No. 94-32, FCC 97-413, *Third Report and Order and Second Further Notice of Proposed Rule Making*, 13 FCC Rcd 374, 454-455, ¶ 141 (1998) ("*Part 1 Third Report and Order*").

⁵ *Id.*

⁶ See Auction of 800 MHz SMR Upper 10 MHz Band, Minimum Opening Bids or Reserve Prices, *Order*, 12 FCC Rcd 16354 (1997); Revision of Rules and Policies for the Direct Broadcast Satellite Service, *Report and Order*, 11 FCC Rcd 9712, 9787-9788, ¶ 186 (1995).

\$.001 x Pops (the result rounded to the nearest hundred for levels below \$10,000, and rounded to the nearest thousand for levels above \$10,000), with a minimum of no less than \$2,500 per license.

This formula is intended to apply to all geographic paging licenses in the 929 and 931 bands, and was determined based upon the considerations explained above. The specific proposed minimum opening bids for each license are set forth in Attachment A. Comment is sought on this proposal. If commenters believe that the formula proposed above for minimum opening bids will result in substantial numbers of unsold licenses, or is not a reasonable amount, or should instead operate as a reserve price, they should explain why this is so, and comment on the desirability of an alternative approach. Commenters are advised to support their claims with valuation analyses and suggested reserve prices or minimum opening bid levels or formulas. In establishing the formula for minimum opening bids, we particularly seek comment on such factors as, among other things, the amount of spectrum being auctioned, levels of incumbency, the availability of technology to provide service, the size of the geographic service areas, issues of interference with other spectrum bands and any other relevant factors that could reasonably have an impact on valuation of the Paging service spectrum. Alternatively, comment is sought on whether, consistent with the Balanced Budget Act, the public interest would be served by having no minimum opening bid or reserve price.

III. Other Auction Procedural Issues for the Upper Bands Auction (Auction No. 26)

The Balanced Budget Act of 1997 requires the Commission to "ensure that, in the scheduling of any competitive bidding . . . an adequate period is allowed. . . before issuance of bidding rules, to permit notice and comment on proposed auction procedures. . . ." ⁷ Consistent with the provisions of the Balanced Budget Act and to ensure that potential bidders have adequate time to familiarize themselves with the specific provisions that will govern the day-to-day conduct of an auction, the Commission directed the Bureau, under its existing delegated authority, ⁸ to seek comment on a variety of auction-specific issues prior to the start of each auction. ⁹ We therefore seek comment on the following issues relating to the Upper Bands Auction (Auction No. 26).

⁷ Budget Act, § 3002(a)(1)(B)(iv).

⁸ See Amendment of Part 1 of the Commission's Rules—Competitive Bidding Proceeding, WT Docket No. 97-82, FCC 97-60, *Order, Memorandum Opinion and Order, and Notice of Proposed Rule Making*, 12 FCC Rcd 5686, 5689 ¶ 16 (1997) ("*Part 1 Order, Memorandum Opinion and Order, and Notice of Proposed Rule Making*") ("We also clarify that pursuant to Section 0.131 of our rules, the Chief, Wireless Telecommunications Bureau, has delegated authority to implement all of the Commission's rules pertaining to auctions procedures.")

⁹ *Part 1 Third Report and Order*, 13 FCC Rcd at 448, ¶ 124. The Commission directed the Bureau to seek comment on specific mechanisms related to day-to-day auction conduct including, for example, the structure of bidding rounds and stages, establishment of minimum opening bids or reserve prices, minimum accepted bids, initial maximum eligibility for each bidder, activity requirements for each stage of the auction, activity rule waivers, criteria for determining reductions in eligibility, information regarding bid withdrawal and bid removal, stopping rules, and information relating to auction delay, suspension or cancellation. *Id.* at 448, ¶ 125.

a. Information Available to Bidders During the Course of the Auction

In the *Second Report and Order*, the Commission concluded that, due to the large number of licenses to be auctioned, the advantages of limiting the disclosure of information available to bidders during the course of the Paging auctions (*e.g.*, revealing only high bids and total number of bids on each license and withholding bidder identities) may help to speed the pace of the auctions.¹⁰ In the *Reconsideration Order*, the Commission directed the Bureau to seek further comment on this issue. The Bureau tentatively concludes that it will be unnecessary to withhold bidder identities if the Paging licenses are auctioned in groups of approximately 2,500 or fewer licenses, as we have proposed to do with the Upper Band licenses. We seek comment on this tentative conclusion. In addition, we propose to disclose all information relating to the bids, including revealing all bids and withdrawals placed in each round, the identity of the bidder placing each bid or withdrawal, and the net and gross amounts of each bid or withdrawal during the Upper Bands Auction (Auction No. 26). We seek comment on this proposal.

b. Structure of Bidding Rounds, Activity Requirements, and Criteria for Determining Reductions in Eligibility

We propose to divide the Upper Bands Auction into three stages: Stage One, Stage Two and Stage Three, each characterized by increased activity requirements. The auction will start in Stage One. We propose that the auction will generally 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 below ten percent for three consecutive rounds of bidding in each Stage. However, we further propose that the Bureau 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 percentages of licenses (as measured in bidding units) on which there are new bids, the number of new bids, and the percentage increase in revenue. We seek comment on these proposals.

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 maximum bidding eligibility during each round of an auction rather than waiting until the end to participate. A bidder that does not satisfy the activity rule will either lose bidding eligibility in the next round or use an activity rule waiver.

For the Upper Bands Auction (Auction No. 26), we propose that, in each round of Stage One of the auction, a bidder desiring to maintain its current eligibility is required to be active on licenses encompassing 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

¹⁰ Revision of Part 22 and Part 90 of the Commission's Rules to Facilitate Future Development of Paging Systems, *Second Report and Order and Further Notice of Proposed Rulemaking*, 12 FCC Rcd 2732, 2786, ¶ 106 (1997) ("*Second Report and Order*").

for the next round will be calculated by multiplying the current round activity by five-fourths (5/4). In each round of the second stage of the auction, a bidder desiring to maintain its current eligibility is required to be active on at least 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 (10/9). In each round of Stage Three, 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 (50/49). We seek comment on these proposals.

c. Minimum Accepted Bids

Once there is a standing high bid on a license, there will be a bid increment associated with that bid indicating the minimum amount by which the bid on that license can be raised. For the Upper Bands Auction (Auction No. 26), we will use a standard exponential smoothing methodology to calculate minimum bid increments, as we have done in several other auctions. The Bureau retains the discretion to change the minimum bid increment if it determines that circumstances so dictate. We seek comment on this proposal.

The exponential smoothing formula calculates the bid increment for each license based on a weighted average of the activity received on each license in all previous rounds. This methodology will tailor the bid increment for each license based on activity, rather than setting a global increment for all licenses. For every license that receives a bid, the bid increment for the next round for that license will be established using the exponential smoothing formula.

The calculation of the percentage bid increment for each license in a given round is made at the end of the previous round. The computation is based on an activity index, which is calculated as the weighted average of the activity in that round and the activity index from the prior round. The activity index at the start of the auction (round 0) will be set at 0. The current activity index is equal to a weighting factor times the number of new bids received on the license in the most recent bidding round plus one minus the weighting factor times the activity index from the prior round. The activity index is then used to calculate a percentage increment by multiplying a minimum percentage increment by one plus the activity index with that result being subject to a maximum percentage increment. The Commission will initially set the weighting factor at 0.5, the minimum percentage increment at 0.1, and the maximum percentage increment at 0.2.

Equations

$$A_i = (C * B_i) + ((1-C) * A_{i-1})$$

$$I_{i+1} = \text{smaller of } ((1 + A_i) * N) \text{ and } M$$

where,

- A_i = activity index for the current round (round i)
- C = activity weight factor
- B_i = number of bids in the current round (round i)

A_{i-1} = activity index from previous round (round i-1), A_0 is 0
 I_{i+1} = percentage bid increment for the next round (round i+1)
 N = minimum percentage increment or bid increment floor
 M = maximum percentage increment or bid increment ceiling

Under the exponential smoothing methodology, once a bid has been received on a license, the minimum acceptable bid for that license in the following round will be the new high bid plus the dollar amount associated with the percentage increment (variable I_{i+1} from above times the high bid). This result will be rounded to the nearest thousand if it is over ten thousand or to the nearest hundred if it is under ten thousand:

Examples

License 1

$C=0.5$, $N = 0.1$, $M = 0.2$

Round 1 (2 new bids, high bid = \$1,000,000)

1. Calculation of percentage increment for round 2 using exponential smoothing:

$$A_1 = (0.5 * 2) + (0.5 * 0) = 1$$

The smaller of $I_2 = (1 + 1) * 0.1 = 0.2$ or 0.2 (the maximum percentage increment)

2. Minimum bid increment for round 2 using the percentage increment (I_2 from above)

$$0.2 * \$1,000,000 = \$200,000$$

3. Minimum acceptable bid for round 2 = 1,200,000

Round 2 (3 new bids, high bid = 2,000,000)

1. Calculation of percentage increment for round 3 using exponential smoothing:

$$A_2 = (0.5 * 3) + (0.5 * 1) = 2$$

The smaller of $I_3 = (1 + 2) * 0.1 = 0.3$ or 0.2 (the maximum percentage increment)

2. Minimum bid increment for round 3 using the percentage increment (I_3 from above)

$$0.2 * \$2,000,000 = \$400,000$$

3. Minimum acceptable bid for round 3 = 2,400,000

Round 3 (1 new bid, high bid = 2,400,000)

1. Calculation of percentage increment for round 4 using exponential smoothing:

$$A_3 = (0.5 * 1) + (0.5 * 2) = 1.5$$

The smaller of $I_4 = (1 + 1.5) * 0.1 = 0.25$ or 0.2 (the maximum percentage increment)

2. Minimum bid increment for round 4 using the percentage increment (L₄ from above)

$$0.2 * \$2,400,000 = \$480,000$$

3. Minimum acceptable bid for round 4 = 2,880,000

d. Initial Maximum Eligibility for Each Bidder

The Bureau has 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.¹¹ With these guidelines in mind, we propose to calculate upfront payments for the Upper Bands Auction on a license-by-license basis, using the following formula:

$\$.0008 * \text{Pops}$ (the result rounded to the nearest hundred for levels below \$10,000 and to the nearest thousand for levels above \$10,000) with a minimum of no less than \$2,500 per license

This formula is intended to apply to all geographic paging licenses in the 929 and 931 bands, and was determined based upon the considerations explained above. The specific upfront payments for each license are set forth in Attachment A. We seek comment on this proposal.

We further propose that the amount of the upfront payment submitted by a bidder will determine the initial maximum eligibility (as measured in bidding units) for each bidder. Upfront payments will not be attributed to specific licenses, but instead will be translated into bidding units to define a bidder's initial maximum eligibility, which will define licenses on which bids may be placed. Eligibility cannot be increased during the auction. It is important that in calculating the upfront payment amount, an applicant determine the maximum number of bidding units it may wish to bid on (and/or hold high bids on) in any single round, and submit an upfront payment covering that number of bidding units. We seek comment on this proposal.

e. Activity Rule Waivers and Reducing Eligibility

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 of bidding and not to a particular license. Activity waivers are

¹¹ See *Part 1 Order, Memorandum Opinion and Order, and Notice of Proposed Rule Making*, 12 FCC Rcd at 5697-98, ¶ 16. See also *Implementation of Section 309(j) of the Communications Act—Competitive Bidding, Second Report and Order*, 9 FCC Rcd. 2348, 2377, ¶ 169 (1994) (“We believe that using a formula that bases the size of the upfront payment on the amount of spectrum and population on which a bidder is interested in bidding at any one time is a rational way for the Commission to be provided assurance that each bidder is a bona fide applicant and that each bid is sincere. The size of the upfront payment will thus directly relate to the size and capabilities of the licensed facilities, the cost to construct a system, the value of the licensed spectrum and the potential amounts bidders will bid.”)

principally a mechanism for auction participants to avoid the loss of auction eligibility in the event that exigent circumstances prevent them from placing a bid in a particular round.

The FCC auction system assumes that bidders with insufficient activity would prefer to use an activity rule waiver (if available) rather than lose bidding eligibility. Therefore, the system will automatically apply a waiver (known as an "automatic waiver") at the end of any bidding period where a bidder's activity level is below the minimum required unless: (1) there are no activity rule waivers available; or (2) the bidder overrides the automatic application of a waiver by reducing eligibility thereby meeting the minimum requirements.

A bidder with insufficient activity that wants to reduce its bidding eligibility rather than use an activity rule waiver must affirmatively override the automatic waiver mechanism during the bidding period by using the reduce eligibility function in the software. In this case, the bidder's eligibility is permanently reduced to bring the bidder into compliance with the activity rules as described above. Once eligibility has been reduced, a bidder will not be permitted to regain its lost bidding eligibility.

A bidder may proactively use an activity rule waiver as a means to keep an auction open without placing a bid. If a bidder submits a proactive waiver (using the proactive waiver function in the bidding software) during a bidding period in which no bids are submitted, the auction will remain open and the bidder's eligibility will be preserved. An automatic waiver invoked in a round in which there are no new valid bids will not keep the auction open.

We propose that each bidder in the Upper Bands Auction (Auction No. 26) will be provided with five activity rule waivers that may be used in any round during the course of an auction as set forth above. We seek comment on this proposal.

f. Information Regarding Bid Withdrawal and Bid Removal

For the Upper Bands Auction (Auction No. 26), we propose the following bid removal and bid withdrawal procedures. Before the close of a bidding period, a bidder has the option of removing any bids submitted in that round. By using the remove bid function in the software, a bidder may effectively "unsubmit" any bid placed within that round. A bidder removing a bid placed in the same round is not subject to withdrawal payments.

Once a round closes, a bidder may no longer remove a bid. However, in any subsequent round, a high bidder may withdraw its standing high bids from previous rounds using the withdraw bid function. A high bidder that withdraws its standing high bid from a previous round is subject to the bid withdrawal payment provisions.¹² We seek comment on these bid removal and bid withdrawal procedures.

¹² See 47 C.F.R. §§ 1.2104(g); 1.2109.

In the *Part 1 Third Report and Order*, the Commission explained that allowing bid withdrawals facilitates efficient aggregation of licenses and the pursuit of efficient backup strategies as information becomes available during the course of an auction. The Commission noted, however, that in some instances bidders may seek to withdraw bids for improper reasons, including to delay the close of an auction for strategic purposes. The Bureau, therefore, has discretion, in managing the auction, to limit the number of withdrawals to prevent strategic delay of the close of the auction or other abuses. The Commission stated that the Bureau should assertively exercise its discretion, consider limiting the number of rounds in which bidders may withdraw bids, and prevent bidders from bidding on a particular market if the Bureau finds that a bidder is abusing the Commission's bid withdrawal procedures.¹³

Applying this reasoning, we propose to limit each bidder in the Upper Bands Auction (Auction No. 26) to withdrawals in no more than two rounds during the course of each auction. To permit a bidder to withdraw bids in more than two rounds would likely encourage insincere bidding or the use of withdrawals for anti-competitive strategic purposes. The two rounds in which withdrawals are utilized will be at the bidder's discretion; withdrawals otherwise must be in accordance with the Commission's rules. There is no limit on the number of standing high bids that may be withdrawn in either of the rounds in which withdrawals are utilized. Withdrawals will remain subject to the bid withdrawal payment provisions specified in the Commission's rules. We seek comment on this proposal.

g. Stopping Rule

In the *Reconsideration Order*, the Commission upheld the hybrid simultaneous/license-by-license stopping rule that had been adopted for the paging auctions in the *Second Report and Order*, but retained discretion for the Bureau to use another stopping rule after seeking further comment on this issue in the pre-auction process.¹⁴ The Bureau concludes that our proposal to conduct a series of auctions may eliminate the risk of unnecessarily protracted auctions, and likewise, the need for a hybrid stopping rule.

Therefore, for the Upper Bands Auction (Auction No. 26), the Bureau proposes to employ a simultaneous stopping approach. The Bureau has discretion "to establish stopping rules before or during multiple round auctions in order to terminate the auction within a reasonable time."¹⁵ A simultaneous stopping rule means that all licenses remain open until the first round in which no new acceptable bids, proactive waivers, or withdrawals are received. After the first such round, bidding closes simultaneously on all licenses. Thus, unless circumstances dictate otherwise, bidding would remain open on all licenses until bidding stops on every license.

¹³ See *Part 1 Third Report and Order*, 13 FCC Rcd at 460, ¶ 150.

¹⁴ See *Reconsideration Order*, FCC 99-98, ¶ 84; *Second Report and Order*, 12 FCC Rcd at 2785, ¶ 103. See also 47 C.F.R. § 1.2104(e) (The Bureau has discretion "to establish stopping rules before or during multiple round auctions in order to terminate the auction within a reasonable time").

¹⁵ 47 C.F.R. § 1.2104(e).

We also seek comment on a modified version of the simultaneous stopping rule. The modified version of the stopping rule would close the auction for all licenses after the first round in which no bidder submits a proactive waiver, a withdrawal, or a new bid on any license on which it is not the standing high bidder. Thus, absent any other bidding activity, a bidder placing a new bid on a license for which it is the standing high bidder would not keep the auction open under this modified stopping rule. The Bureau further seeks comment on whether this modified stopping rule should be used unilaterally or only in stage three of the auction.

In addition, we propose that the Bureau retain the discretion to keep an auction open even if no new acceptable bids or proactive waivers are submitted and no previous high bids are withdrawn. In this event, the effect will be the same as if a bidder had submitted a proactive waiver. The activity rule, therefore, will apply as usual; and a bidder with insufficient activity will either lose bidding eligibility or use a remaining activity rule waiver. We seek comment on this proposal.

Finally, we propose that the Bureau reserve the right to declare that the auction will end after a specified number of additional rounds ("special stopping rule"). If the Bureau invokes this special stopping rule, it will accept bids in the final round(s) only for licenses on which the high bid increased in at least one of the preceding specified number of rounds. The Bureau proposes to exercise this option only in certain circumstances, such as, for example, where the auction is proceeding very slowly, there is minimal overall bidding activity, or it appears likely that the auction will not close within a reasonable period of time. Before exercising this option, the Bureau is likely to attempt to increase the pace of the auction by, for example, moving the auction into the next stage (where bidders would be required to maintain a higher level of bidding activity), increasing the number of bidding rounds per day, and/or increasing the amount of the minimum bid increments for the limited number of licenses where there is still a high level of bidding activity. We seek comment on these proposals.

h. Information Relating to Auction Delay, Suspension or Cancellation

For the Upper Bands Auction (Auction No. 26), we propose that, by public notice or by announcement during the auction, the Bureau may delay, suspend or cancel any auction in the event of natural disaster, technical obstacle, evidence of an auction security breach, unlawful bidding activity, administrative or weather necessity, or for any other reason that affects the fair and competitive conduct of competitive bidding.¹⁶ In such cases, the Bureau, in its sole discretion, may elect to: resume the auction starting from the beginning of the current round; resume the auction starting from some previous round; or cancel the auction in its entirety. Network interruption may cause the Bureau to delay or suspend an auction. We emphasize that exercise of this authority is solely within the discretion of the Bureau, and its use is not intended to be a substitute for situations in which bidders may wish to apply their activity rule waivers. We seek comment on this proposal.

¹⁶ See 47 C.F.R. § 1.2104(i).

IV. Conclusion

Comments are due on or before June 30, 1999, and reply comments are due on or before July 13, 1999. To file formally, parties must submit an original and four copies to the Office of the Secretary, Federal Communications Commission, Room TW-B204, 445th 12th Street S.W., Washington, D.C. 20554. In addition, parties must submit one copy to Amy Zoslov, Chief, Auctions and Industry Analysis Division, Wireless Telecommunications Bureau, Federal Communications Commission, Room 4-A760, 445 12th Street, S.W., Washington, D.C. 20554. Comments and reply comments will be available for public inspection during regular business hours in the FCC Public Reference Room, Room CY-A257, 445 12th Street S.W., Washington, D.C. 20554.

For further information concerning this proceeding, contact Lisa Hartigan or Anne Napoli, Auctions and Industry Analysis Division, Wireless Telecommunications Bureau, at (202) 418-0660, or Bob Reagle, Auctions and Industry Analysis Division, Wireless Telecommunications Bureau, at (717) 338-2801.

This is a permit-but-disclose proceeding pursuant to 47 C.F.R. § 1.1206.

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