

the 900 MHz SMR service. Accordingly, under the Commission's auction authority, if mutually exclusive applications for an MTA 10-channel block are accepted for filing, the Commission will award that license through competitive bidding. The Commission requests comment on specific bidding procedures, as set forth below.

6. *Competitive Bidding Design.* In the *Second Report & Order*, PP Docket No. 93-253, 59 FR 22980 (May 4, 1994) (Auctions Second Report and Order), the Commission stated that (1) licenses with strong value interdependencies should be auctioned simultaneously; and (2) multiple round auctions generally will yield more efficient allocations of licenses and higher revenues by providing bidders with information regarding other bidders' valuations of licenses, especially where there is substantial uncertainty as to value. Thus, where the licenses to be auctioned are interdependent and their value is expected to be high, simultaneous multiple round auctions would best achieve the Commission's goals for competitive bidding. Based on these factors, the Commission tentatively concluded that simultaneous multiple round auctions are appropriate for the 900 MHz SMR service. The expected value of 900 MHz SMR licenses is high, the licenses are interdependent, and licensees will likely aggregate across spectrum blocks and geographic regions. Because, however, the presence of incumbents on certain channels could affect the relative desirability and value of otherwise identical MTA licenses, the Commission proposes to delegate authority to the Wireless Telecommunications Bureau to revisit the issue of whether another auction design would be more appropriate. The Commission seeks comments on this tentative conclusion and proposal.

7. *License Grouping.* The Commission determined in the *Auctions Second Report & Order*, 59 FR 22980 (May 4, 1994), that in a multiple round auction, highly interdependent licenses should be grouped together and put up for bid at the same time because such grouping provides bidders with the most information about the prices of complementary and substitutable licenses during the course of an auction. The Commission also determined that the greater the degree of interdependence among the licenses, the greater the benefit of auctioning a group of licenses together in a simultaneous multiple round auction. The Commission tentatively concludes that all 51 MTAs in the 900 MHz band

should be auctioned simultaneously. While this may entail more administrative costs than breaking the licenses into groups, the added cost will be outweighed by the informational and bidding flexibility advantages afforded by a single auction. Moreover, the 1020 MTA licenses to be auctioned are less than half the number of broadband PCS licenses to be auctioned in Blocks A through F, and all licenses will be for the same amount of spectrum and use a single service area definition. The Commission also proposes to reserve the discretion to inform applicants by Public Notice if the Commission determines to hold more than one auction, on the basis that a single auction proves administratively unworkable.

B. Bidding Issues

8. *Bid Increments.* The bid increment is the amount or percentage by which a bid must be raised above the previous round's high bid in order to be accepted as valid in the current bidding round. The Commission proposes to start the 900 MHz auction with relatively large increments, and adjust the increments as bidding activity indicates. In Stage I of the auction, the minimum bid increment would be five percent of the high bid in the previous round or \$.02 per MHz-pop, whichever is greater. In Stage II, the Commission would reduce the minimum bid increment to the greater of five percent of \$.01 per MHz-pop, and in Stage III, the greater of five percent of \$.01 per MHz-pop. The Commission also proposes to retain the discretion to vary the minimum bid increments for individual license or groups of licenses at any time before or during the course of the auction, based on the number of bidders, bidding activity, and the aggregate high bid amounts. Finally, the Commission proposes to retain the discretion to keep an auction open if there is a round in which no bids are submitted.

9. *Stopping Rules.* In the *CMRS Third Report & Order*, 59 Fed. Reg. 59,945 (Nov. 21, 1994), the Commission noted that in multiple round auctions, a stopping rule must be established for determining when the auction is over. The Commission proposes to adopt a simultaneous stopping rule for 900 MHz SMR. Under this approach, bidding remains open on all licenses until there is no new acceptable bid for any license. This approach also provides full flexibility to bid for any license as more information becomes available during the course of the auction. MTA licenses are expected to have relatively high values because of the substantial amount of clear spectrum that remains

available, the high valuation of SMR spectrum in secondary market transactions, the substitutability between licenses within the same MTA and the ability to pursue back-up strategies. Likewise, the use of MTAs, rather than BTAs or more numerous service areas, should reduce complexity of a simultaneous stopping rule. Because the Commission proposes to impose an activity rule, this approach will not lead to excessively long auctions while affording bidders flexibility to pursue back-up strategies.

10. The Commission also proposes to retain the discretion to announce at any time during the auction that the auction will end after a specified number of additional rounds. Bids would only be accepted on licenses where the high bid has increased in the last three rounds. This would deter bidders from continuing to bid on a few low value licenses solely to delay the closing of the auction. It would also enable the Commission to end the auction when it determines that the benefits of terminating the auction and issuing licenses exceed likely benefits of continuing to allow bidding. The Commission proposes that this mechanism be used only in case of extremely dilatory bidding and that final bidding procedures would be announced by public notice. The Commission also proposes to retain the discretion to conduct market by market closings, if circumstances so warrant, to be announced during the auction. Finally, the Commission proposes to retain discretion to keep an auction open in a round in which no new acceptable bids are submitted if the Commission receives a "proactive" waiver of the activity rules, and to retain discretion to keep an auction open even if no proactive waivers are filed.

11. *Duration of Bidding Rounds.* The Commission reserves the discretion to vary the duration of bidding rounds or the interval at which bids are accepted (e.g. run more than one round per day) in order to move the auction toward closure more quickly. The Commission will announce any changes to the duration of and intervals between bidding rounds either by public notice prior to the auction or by announcement during the auction.

12. *Activity Rules.* The Milgrom-Wilson activity rule encourages bidders to participate in early rounds by limiting their maximum participation to some multiple of their minimum participation level. The Commission tentatively concludes that the Milgrom-Wilson activity rule should be used in conjunction with the simultaneous stopping rule to award 900 MHz SMR